

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Alfrey, P.C.</i>			Date <i>John R. K.</i>	

St. Joseph County, Michigan

FINANCIAL STATEMENTS

December 31, 2004

St. Joseph County, Michigan

December 31, 2004

BOARD OF COMMISSIONERS

John Dobberteen	Chairperson
Monte Bordner	Vice Chairperson
Eric Shafer	Commissioner
Gerald Loudenslager	Commissioner
John Bippus	Commissioner
Robin Baker	Commissioner
David Pueschel	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Judith K. West-Wing	Administrator
Janet Beals	Treasurer
Pattie S. Bender	Clerk
Cynthia L. Jarratt	Register of Deeds
David Hassenger	Drain Commissioner
Douglas K. Fisher	Prosecuting Attorney
Matthew J. Lori	Sheriff

St. Joseph County, Michigan

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Joseph County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the St. Joseph County Road Commission, which represents 76% and 39%, respectively of the total assets and revenues and other financing sources of the component units and St. Joseph County Community Mental Health Services which represents 6% of the assets and 52% of the revenues and other financing sources of the component unit governmental fund types. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the St. Joseph County Road Commission and St. Joseph Community Mental Health Services, is based solely on the report of the other auditors.

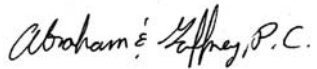
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of St. Joseph County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2005 on our consideration of St. Joseph County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

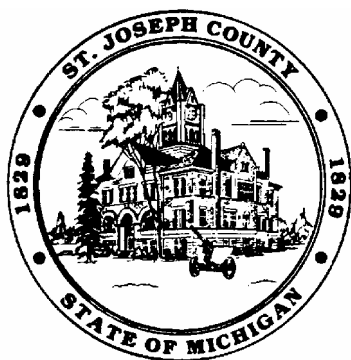
The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 22, 2005



COUNTY ADMINISTRATOR

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Management's Discussion and Analysis

As management of St. Joseph County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission and Community Mental Health Services for the year ended December 31, 2004. For more detailed information, the Road Commission's and Community Mental Health Services' separately issued financial statements may be obtained from their administrative offices.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$32.7 million (*net assets*). Of this amount, approximately \$16.1 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$1.9 million, or 6.3 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$9.6 million, a decrease of approximately \$1.5 million or 13.5 percent less than the prior year. Of this total, approximately \$9.3 million or 97.3 per cent is *available for spending (unreserved and undesignated fund balance)*, however, the major portion of this amount (approximately \$6.2 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$3.0 million, an amount equal to 24.3 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt, including that of the Drain Commission and Board of Public Works component units, decreased by a net of \$127,706 or 2.6 percent during the current fiscal year. New bond issues included \$335,000 issued by the Board of Public Works and \$200,000 in Drain notes.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of St. Joseph County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural functions. The business-type activities primarily represent the administration of the delinquent property tax system.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also five (5) legally separate entities: the St. Joseph County Road Commission, the St. Joseph County Community Mental Health Services, the Board of Public Works, the Drainage Districts, and the Economic Development Corporation. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Central Dispatch, Revenue Sharing Reserve, and County Facilities Maintenance fund, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General, special revenue, capital projects, internal service, and enterprise funds. A budgetary comparison schedule has been provided herein to demonstrate compliance with the County General, Central Dispatch, and Revenue Sharing Reserve funds budgets.

Proprietary funds. The County maintains two types of proprietary funds: enterprise and internal service. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Tax Payment Fund which is considered to be a major fund. Data from the other nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds report activities that provide supplies or service to the County's other operations, such as the Flexible Benefit Insurance Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental funds and internal service funds information.

Government-wide Financial Analysis

Statement of Net Assets

St. Joseph County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current assets	\$19,995,208	\$16,675,705	\$12,427,873	\$13,077,147	\$32,423,081	\$29,752,852
Noncurrent assets	7,334,637	10,109,911	9,869	8,310	7,344,506	10,118,221
Total assets	27,329,845	26,785,616	12,437,742	13,085,457	39,767,587	39,871,073
Liabilities						
Current	8,856,634	7,017,141	7,102	5,100	8,863,736	7,022,241
Noncurrent	113,818	108,000	-	-	113,818	108,000
Total liabilities	8,970,452	7,125,141	7,102	5,100	8,977,554	7,130,241
Net Assets						
Invested in capital assets - net of related debt	7,321,835	10,109,911	-	8,310	7,321,835	10,118,221
Restricted	7,168,921	6,505,852	-	-	7,168,921	6,505,852
Unrestricted	3,868,637	3,044,712	12,430,640	13,072,047	16,299,277	16,116,759
Total net assets	\$18,359,393	\$19,660,475	\$12,430,640	\$13,080,357	\$30,790,033	\$32,740,832

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of St. Joseph County, assets exceeded liabilities by approximately \$32.7 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$30.8 million.

The County's net assets include approximately \$10.1 million capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$6.5 million. The remaining balance of unrestricted net assets (\$16.1 million or 49.2 percent) may be used to meet the government's ongoing obligations.

Comparing the amounts reported for 2004 to the prior year, the significant reduction in current liabilities reflects the phase-in of the Revenue Sharing Reserve Fund. With the implementation of this program, approximately \$2.3 million from the 2004 property tax levy that would have previously been offset by a "deferred revenue" liability (because it was not available until the subsequent year's budget), is now recognized in 2004 as revenue in the Revenue Sharing Reserve Fund. In 2004, therefore, there is no offsetting deferred revenue liability associated with this amount as there was in the prior year.

Statement of Activities

St. Joseph County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues						
Program revenue:						
Charges for services	\$4,173,804	\$3,937,916	\$711,073	\$564,855	\$4,884,877	\$4,502,771
Oper. grants and contributions	3,098,898	3,369,538	-	-	3,098,898	3,369,538
General revenues:						
Property taxes	7,781,815	10,383,533	-	-	7,781,815	10,383,533
State Revenue Sharing	1,033,150	498,106	-	-	1,033,150	498,106
Investment earnings	204,205	214,062	148,744	128,336	352,949	342,398
Miscellaneous	63,770	230,350	3,405	2,507	67,175	232,857
Transfers	(252,587)	8,493	(27,523)	1,507	(280,110)	10,000
Total revenues	16,103,055	18,641,998	835,699	697,205	16,938,754	19,339,203
Expenses						
General government	7,451,509	8,266,492	-	-	7,451,509	8,266,492
Public safety	5,203,935	5,484,454	-	-	5,203,935	5,484,454
Public works	11,629	41,304	-	-	11,629	41,304
Health and welfare	2,987,889	3,047,446	-	-	2,987,889	3,047,446
Comm. and Econ. Development	24,693	196,329	-	-	24,693	196,329
Recreation and Cultural	274,352	278,866	-	-	274,352	278,866
Other	7,071	26,025	108,733	47,488	115,804	73,513
Total expenses	15,961,078	17,340,916	108,733	47,488	16,069,811	17,388,404
Increase in net assets	141,977	1,301,082	726,966	649,717	868,943	1,950,799
Net assets, beginning of year	18,217,416	18,359,393	11,703,674	12,430,640	29,921,090	30,790,033
Net assets, end of year	\$18,359,393	\$19,660,475	\$12,430,640	\$13,080,357	\$30,790,033	\$32,740,832

The preceding table shows that the net assets of governmental activities increased by approximately \$1.3 million or 7.0 percent during 2004 as compared to approximately \$.15 million in the prior year. As noted above, the creation of the Revenue Sharing Reserve fund explains the major reason for this increase.

Business-type Activities

Net assets of the County's business-type activities increased by approximately \$650,000. Net assets of the Tax payment fund increased by approximately \$667,000 while net assets of the other nonmajor enterprise funds decreased by approximately \$17,000.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$9.5 million. This represents a decrease of approximately \$1.5 million in comparison with the prior year. A \$2.3 million increase in fund balance is explained by the first year phase-in of the new Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing for a portion of the current year and full replacement in future years. This increase is more than offset by a \$3.1 reduction in County Facilities Maintenance for investment in capital assets and a general fund fund balance reduction of .7 million.

Approximately \$9.3 million or 97.3 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$6.2 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$.2 million), or is *designated* to support capital and other projects (approximately \$.1 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$3.2 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$3.0 million, an amount equal to 24.3 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund decreased by approximately \$725,000 during the current fiscal year, and compares unfavorably with the approximately \$255,000 increase in the General Fund balance reported during the prior year. This decrease is largely due to declining revenues and increasing employee and other costs.

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$2.3 million. As indicated above this newly established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the first year of a three year phase-in that will ultimately provide deposits totaling approximately \$6.8 million to this fund. The balance in this fund is projected to be exhausted in year 2009 or 2010 at which time the County is to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund budget of \$12.8 million was approximately the same after revisions; however, actual expenditures totaled only \$12.5 million for a net savings of approximately \$300,000 or 2.1 percent under the revised budget. Expenditure savings came from several departments and resulted primarily from reduced contractual services and some personnel positions not filled for the entire year.

Actual revenues came in at just under 11.8 million or within 1.2 percent of the revised budget of 11.9 million. (Approximately \$850,000 was budgeted from fund balance to match revenues with expenditures.) District Court fines and forfeit revenue was more than anticipated while revenue charged for services by Register of Deeds and Board of Public Works was less than anticipated.

Capital Asset and Debt Administration

Capital Assets - At the end of 2004, the County had invested \$10,118,221, and \$1,096,036 for the component units (excluding the Road Commission and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,789,647 for the primary government. Depreciation charges for the fiscal year totaled \$432,588 for the primary government and \$31,967 for the component units (excluding the Road Commission and Community Mental Health Services, see separately issued financial statements).

The net increase in the County's investment in capital assets for the primary government in the current fiscal year amounted to approximately 3.2 million, or 20 percent. This increase is due mainly to completion of the jail renovation project and development of the recently acquired Cade Lake County Park.

	Governmental Activities	Business- type Activities	Component Units Drains	Component Unit Economic Development	Total
Land and Improvements, net	\$ 1,025,873	\$ -	\$ -	\$ -	\$ 1,025,873
Buildings, net	7,730,713	-	-	-	7,730,713
Equipment, net	726,000	8,310	-	2,995	737,305
Vehicles, net	421,047	-	-	-	421,047
Drains, net	-	-	921,304	-	921,304
Construction in progress	206,278	-	171,737	-	378,015
Capital assets, net	\$ 10,109,911	\$ 8,310	\$ 1,093,041	\$ 2,995	\$11,214,257

Long-term Debt - As of December 31, 2004, the County had \$-0- in bonds and notes outstanding for the primary government. This level of net obligation is \$12,802 less than the obligation recorded as of December 31, 2003. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in St. Joseph County. All drain debt is payable out of assessments against the drainage districts or by contractual agreements with local units of government. The following table excludes the County Road Commission and Community Mental Health Services.

Outstanding Debt as of December 31, 2004:

	<u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2004</u>
Primary Government				
Governmental Activities				
Loans Payable	\$ 12,802	\$ -	\$ 12,802	\$ -0-
Component Units				
Board of Public Works				
Water and Sewer Bonds	4,290,000	335,000	185,000	4,440,000
Drainage Districts				
Drain Bonds and Notes	<u>634,485</u>	<u>200,000</u>	<u>209,492</u>	<u>624,993</u>
Total Component Units	<u>4,924,485</u>	<u>535,000</u>	<u>394,492</u>	<u>5,064,993</u>
Total Reporting Entity	<u>\$4,937,287</u>	<u>\$ 535,000</u>	<u>\$ 407,294</u>	<u>\$ 5,064,993</u>
Debt Limit (10% of SEV)				\$ 193,960,737
Available Statutory Debt Limit				\$ 188,895,744

Activity for the Component Units during fiscal year 2004 included the issuance of \$200,000 in drainage district notes and \$335,000 in water and sewer bonds.

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements.

Limitations on Debt:

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2004 was \$1.940 billion; therefore the County's debt limitation was \$194 million. The county remains well below its legal debt limit by over \$188 million.

ST. JOSEPH COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- The jail renovation project will wrap up early in 2005.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years and lower interest rates.
- For the first time in several years very little is budgeted for capital projects.

These factors were considered in adopting the Budget for 2005. A usage of \$753,062 of the County's fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies

and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the St. Joseph County Treasurer's Office at (269) 467-5527 or St. Joseph County Finance at (269) 467-5631 or via email, careyd@stjosephcountymi.org.

BASIC FINANCIAL STATEMENTS

St. Joseph County, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,070,899	\$ 1,088,825	\$ 2,159,724	\$ 2,701,939
Investments	6,594,269	10,133,145	16,727,414	-
Receivables	7,977,284	1,855,177	9,832,461	2,401,229
Due from other governmental units	721,686	-	721,686	405,170
Due from individuals	6,919	-	6,919	-
Inventory	52,560	-	52,560	620,291
Prepaid expenses	246,214	-	246,214	131,844
Due from component units	5,874	-	5,874	(5,874)
Current portion of lease receivable	-	-	-0-	248,084
Total current assets	16,675,705	13,077,147	29,752,852	6,502,683
Noncurrent assets				
Cash and cash equivalents - restricted	-	-	-0-	382,387
Lease receivable	-	-	-0-	4,240,000
Capital assets, net	10,109,911	8,310	10,118,221	28,299,733
Total noncurrent assets	10,109,911	8,310	10,118,221	32,922,120
TOTAL ASSETS	26,785,616	13,085,457	39,871,073	39,424,803
LIABILITIES				
Current liabilities				
Accounts payable	589,365	3,738	593,103	941,792
Accrued liabilities	791,377	1,362	792,739	122,096
Accrued interest payable	-	-	-0-	53,362
Deferred revenue	5,636,399	-	5,636,399	1,417,604
Notes payable	-	-	-0-	200,000
Current portion of compensated absences	-	-	-0-	31,000
Current portion of long-term debt	-	-	-0-	465,353
Total current liabilities	7,017,141	5,100	7,022,241	3,231,207
Noncurrent liabilities				
Advance from State	108,000	-	108,000	-
Compensated absences	-	-	-0-	236,483
Noncurrent portion of long-term debt	-	-	-0-	4,841,493
Total noncurrent liabilities	108,000	-0-	108,000	5,077,976
TOTAL LIABILITIES	7,125,141	5,100	7,130,241	8,309,183
NET ASSETS				
Invested in capital assets, net of related debt	10,109,911	8,310	10,118,221	27,486,887
Restricted for:				
Public safety	1,576,576	-	1,576,576	-
Debt service	-	-	-0-	173,837
Capital improvements	86,939	-	86,939	-
Other purposes	4,842,337	-	4,842,337	3,244,134
Unrestricted	3,044,712	13,072,047	16,116,759	-
TOTAL NET ASSETS	\$ 19,660,475	\$ 13,080,357	\$ 32,740,832	\$ 30,904,858

See accompanying notes to financial statements.

St. Joseph County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 8,266,492	\$ 2,018,709	\$ 2,068,732	\$ -	\$ (4,179,051)	\$ -	\$ (4,179,051)	\$ -
Public safety	5,484,454	549,910	779,189	-	(4,155,355)	-	(4,155,355)	-
Public works	41,304	-	-	-	(41,304)	-	(41,304)	-
Health and welfare	3,047,446	1,334,290	494,049	-	(1,219,107)	-	(1,219,107)	-
Community and economic development	196,329	8,014	-	-	(188,315)	-	(188,315)	-
Recreation and cultural	278,866	33,445	27,568	-	(217,853)	-	(217,853)	-
Other	26,025	-	-	-	(26,025)	-	(26,025)	-
Total governmental activities	17,340,916	3,944,368	3,369,538	-0-	(10,027,010)	-0-	(10,027,010)	-0-
Business-type activities:								
Tax Payment Fund	-	538,668	-	-	-	538,668	538,668	-
Other	47,488	26,187	-	-	-	(21,301)	(21,301)	-
Total business-type activities	47,488	564,855	-0-	-0-	-0-	517,367	517,367	-0-
Total primary government	<u>\$ 17,388,404</u>	<u>\$ 4,509,223</u>	<u>\$ 3,369,538</u>	<u>\$ -0-</u>	(10,027,010)	517,367	(9,509,643)	-0-
Component units:								
Drainage Districts	164,016	-	-	226,447	-	-	-0-	62,431
Board of Public Works	1,449,932	-	1,456,375	-	-	-	-0-	6,443
Economic Development Corporation	139,199	95,043	-	-	-	-	-0-	(44,156)
Community of Mental Health	10,005,435	7,859,330	2,066,032	-	-	-	-0-	(80,073)
Road Commission	6,027,248	612,335	5,450,558	570,955	-	-	-0-	606,600
Total component units	<u>\$ 17,785,830</u>	<u>\$ 8,566,708</u>	<u>\$ 8,972,965</u>	<u>\$ 797,402</u>	-0-	-0-	-0-	551,245
General revenues:								
Property taxes					10,377,081	-	10,377,081	863,529
State shared revenue					498,106	-	498,106	-
Unrestricted grants and contributions					-	-	-0-	31,783
Investment earnings					214,062	128,336	342,398	35,970
Miscellaneous					230,350	2,507	232,857	15,378
Transfers - net					8,493	1,507	10,000	-
Total general revenues and transfers					11,328,092	132,350	11,460,442	946,660
Change in net assets					1,301,082	649,717	1,950,799	1,497,905
Net assets, beginning of the year					18,359,393	12,430,640	30,790,033	29,406,953
Net assets, end of the year					<u>\$ 19,660,475</u>	<u>\$ 13,080,357</u>	<u>\$ 32,740,832</u>	<u>\$ 30,904,858</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Central Dispatch	Revenue Sharing Reserve
ASSETS			
Cash and cash equivalents	\$ (4,202,159)	\$ 786,026	\$ -
Investments	6,594,269	-	-
Accounts receivable	25,748	-	-
Taxes receivable			
Current	4,504,026	1,056,618	2,252,013
Interest receivable	28,878	-	-
Due from other governmental units			
Federal/State	339,365	-	-
Local	54,564	-	-
Due from individuals	6,919	-	-
Due from other funds	573,178	-	-
Due from component units	8,850	-	-
Prepayments	75,375	7,190	-
Inventory	48,105	-	-
TOTAL ASSETS	\$ 8,057,118	\$ 1,849,834	\$ 2,252,013
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 188,084	\$ 2,140	\$ -
Accrued liabilities	120,043	10,730	-
Due to other funds	-	-	-
Due to component units	2,976	-	-
Deferred revenue	4,579,781	1,056,618	-
Advance from State	-	-	-
TOTAL LIABILITIES	4,890,884	1,069,488	-
FUND BALANCES			
Reserved for:			
Prepayments	75,375	7,190	-
Inventory	48,105	-	-
Cemetery maintenance	-	-	-
Animal control	-	-	-
Unreserved			
Designated for:			
Capital projects	-	-	-
Undesignated, reported in:			
General fund	3,042,754	-	-
Special revenue funds	-	773,156	2,252,013
TOTAL FUND BALANCES	3,166,234	780,346	2,252,013
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,057,118	\$ 1,849,834	\$ 2,252,013

See accompanying notes to financial statements.

County Facilities Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
\$ 328,630	\$ 3,687,290	\$ 599,787
-	-	6,594,269
793	103,160	129,701
-	-	7,812,657
-	-	28,878
-	271,813	611,178
-	55,944	110,508
-	-	6,919
-	-	573,178
-	-	8,850
-	20,999	103,564
-	4,455	52,560
<u>\$ 329,423</u>	<u>\$ 4,143,661</u>	<u>\$ 16,632,049</u>
\$ 242,484	\$ 155,874	\$ 588,582
-	42,042	172,815
-	573,178	573,178
-	-	2,976
-	-	5,636,399
-	108,000	108,000
242,484	879,094	7,081,950
-	20,999	103,564
-	4,455	52,560
-	14,565	14,565
-	-	-
86,939	-	86,939
-	-	3,042,754
-	3,224,548	6,249,717
86,939	3,264,567	9,550,099
<u>\$ 329,423</u>	<u>\$ 4,143,661</u>	<u>\$ 16,632,049</u>

St. Joseph County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balance - governmental funds \$ 9,550,099

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 18,899,558
Accumulated depreciation is	<u>(8,789,647)</u>

Capital assets, net	10,109,911
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Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	<u>465</u>
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Net assets of governmental activities	<u><u>\$ 19,660,475</u></u>
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See accompanying notes to financial statements.

St. Joseph County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Central Dispatch	Revenue Sharing Reserve
REVENUES			
Taxes	\$ 6,721,126	\$ 908,884	\$ 2,252,013
Licenses and permits	91,032	-	-
Intergovernmental	2,494,737	23,838	-
Charges for services	1,542,799	-	-
Fines and forfeits	496,969	-	-
Interest and rents	202,746	6,141	-
Other	146,002	1,574	-
TOTAL REVENUES	11,695,411	940,437	2,252,013
EXPENDITURES			
Current			
General government	7,538,362	-	-
Public safety	3,662,118	937,866	-
Public works	41,304	-	-
Health and welfare	684,297	-	-
Community and economic development	10,480	-	-
Recreation and cultural	-	-	-
Other	26,025	-	-
Capital outlay	-	17,737	-
TOTAL EXPENDITURES	11,962,586	955,603	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(267,175)	(15,166)	2,252,013
OTHER FINANCING SOURCES (USES)			
Operating transfers in	90,518	-	-
Operating transfers out	(547,842)	(17,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(457,324)	(17,000)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(724,499)	(32,166)	2,252,013
Fund balances, beginning of year	3,890,733	812,512	-
Fund balances, end of year	\$ 3,166,234	\$ 780,346	\$ 2,252,013

See accompanying notes to financial statements.

County Facilities Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 495,058	\$ 10,377,081
-	8,010	99,042
-	2,100,330	4,618,905
-	796,262	2,339,061
-	261,447	758,416
-	5,175	214,062
-	79,362	226,938
-0-	3,745,644	18,633,505
-	242,162	7,780,524
-	766,185	5,366,169
-	-	41,304
-	2,358,915	3,043,212
-	185,849	196,329
-	224,599	224,599
-	-	26,025
2,682,736	749,847	3,450,320
2,682,736	4,527,557	20,128,482
(2,682,736)	(781,913)	(1,494,977)
-	1,094,940	1,185,458
(423,182)	(188,941)	(1,176,965)
(423,182)	905,999	8,493
(3,105,918)	124,086	(1,486,484)
3,192,857	3,140,481	11,036,583
\$ 86,939	\$ 3,264,567	\$ 9,550,099

St. Joseph County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (1,486,484)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 3,234,717	
Depreciation expense	<u>(431,029)</u>	
Excess of depreciation expense over capital outlay		2,803,688

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets sold. (28,414)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds	(510)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	<u>12,802</u>
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Change in net assets of governmental activities \$ 1,301,082

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,057,465	\$ 31,360	\$ 1,088,825	\$ 471,112
Investments	10,133,145	-	10,133,145	-
Receivables				
Accounts	4,713	592	5,305	6,048
Delinquent taxes	1,803,710		1,803,710	-
Interest	46,162	-	46,162	-
Prepaid expenses	-	-	-0-	142,650
Total current assets	13,045,195	31,952	13,077,147	619,810
Noncurrent assets				
Capital assets, net	-	8,310	8,310	-
TOTAL ASSETS	13,045,195	40,262	13,085,457	619,810
LIABILITIES				
Current liabilities				
Accounts payable	-	3,738	3,738	783
Accrued liabilities	-	1,362	1,362	618,562
TOTAL LIABILITIES	-0-	5,100	5,100	619,345
NET ASSETS				
Invested in capital assets, net related of debt	-	8,310	8,310	-
Unrestricted	13,045,195	26,852	13,072,047	465
TOTAL NET ASSETS	<u>\$ 13,045,195</u>	<u>\$ 35,162</u>	<u>\$ 13,080,357</u>	<u>\$ 465</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 402,632	\$ -	\$ 402,632	\$ -
Charges for services	136,036	13,748	149,784	1,539,821
Intergovernmental	-	2,489	2,489	-
Rent		12,439	12,439	
Other	-	18	18	-
TOTAL OPERATING REVENUES	538,668	28,694	567,362	1,539,821
OPERATING EXPENSES				
Personal services	-	13,214	13,214	-
Employee benefits	-	-	-	1,540,331
Operating supplies	-	32,715	32,715	-
Depreciation	-	1,559	1,559	-
TOTAL OPERATING EXPENSES	-0-	47,488	47,488	1,540,331
OPERATING INCOME (LOSS)	538,668	(18,794)	519,874	(510)
NONOPERATING REVENUES				
Interest revenue	128,336	-	128,336	-
INCOME (LOSS) BEFORE TRANSFERS	667,004	(18,794)	648,210	(510)
TRANSFERS IN				
Transfer in	-	1,507	1,507	-
CHANGE IN NET ASSETS	667,004	(17,287)	649,717	(510)
Net assets, beginning of year	12,378,191	52,449	12,430,640	975
Net assets, end of year	<u>\$ 13,045,195</u>	<u>\$ 35,162</u>	<u>\$ 13,080,357</u>	<u>\$ 465</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type Activities			Governmental Activities
	Tax Payment Fund	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 569,810	\$ 26,205	\$ 596,015	\$ 1,536,336
Cash paid to suppliers	(673)	(41,967)	(42,640)	-
Cash paid for employee benefits	-	-	-0-	(1,558,003)
Cash received from local units	-	2,489	2,489	-
Cash paid to employees	-	(5,291)	(5,291)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	569,137	(18,564)	550,573	(21,667)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	-	1,507	1,507	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(10,133,145)	-	(10,133,145)	-
Maturity of investments	9,236,970	-	9,236,970	-
Interest revenue	128,336	-	128,336	-
NET CASH USED BY INVESTING ACTIVITIES	(767,839)	-0-	(767,839)	-0-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(198,702)	(17,057)	(215,759)	(21,667)
Cash and cash equivalents, beginning of year	1,256,167	48,417	1,304,584	492,779
Cash and cash equivalents, end of year	<u>\$ 1,057,465</u>	<u>\$ 31,360</u>	<u>\$ 1,088,825</u>	<u>\$ 471,112</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 538,668	\$ (18,794)	\$ 519,874	\$ (510)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities				
Depreciation	-	1,559	1,559	-
(Increase) decrease in receivables	31,142	-	31,142	(3,485)
(Increase) in prepaid expenses	-	-	-0-	(22,283)
Increase (decrease) in accounts payable	(673)	(768)	(1,441)	775
Increase (decrease) in accrued liabilities	-	(561)	(561)	3,836
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 569,137</u>	<u>\$ (18,564)</u>	<u>\$ 550,573</u>	<u>\$ (21,667)</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 2,311,454	\$ -
Investments	-	14,573,668
Accounts receivable	-	759
TOTAL ASSETS	<u>\$ 2,311,454</u>	<u>\$ 14,574,427</u>
LIABILITIES		
Undistributed collections payable	\$ 1,635,613	\$ -
Due to other governmental units		
Federal/State	135,729	-
Local	39,019	-
Due to individuals and agencies	<u>501,093</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 2,311,454</u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		<u>\$ 14,574,427</u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2004

	<u>Pension Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 398,066
Net increase in fair value of investments	879,845
Less investment expenses	<u>(17,849)</u>
Net investment income	1,260,062
Contributions	
Employer	401,190
Employee	<u>91,562</u>
Total additions	1,752,814
DEDUCTIONS	
Benefit payments	300,834
Refunds of contributions	9,478
Administrative expenses	<u>28,157</u>
Total deductions	<u>338,469</u>
CHANGE IN NET ASSETS	1,414,345
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>13,160,082</u>
End of year	<u><u>\$ 14,574,427</u></u>

See accompanying notes to financial statements.

St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Road Commission	Community Mental Health (9/30/04)	Board of Public Works
ASSETS			
Current assets			
Cash and cash equivalents	\$ 207,018	\$ 2,045,356	\$ 171,077
Receivables	1,746,701	13,560	116
Due from other governmental units	202,364	21,021	181,785
Inventory	620,291	-	-
Due from primary government	-	-	-
Prepaid expenses	-	131,844	-
Current portion of lease receivable	-	-	248,084
Total current assets	2,776,374	2,211,781	601,062
Noncurrent assets			
Cash and cash equivalents - restricted	-	128,387	-
Lease receivable	-	-	4,240,000
Capital assets, net	27,067,635	136,062	-
Total noncurrent assets	27,067,635	264,449	4,240,000
TOTAL ASSETS	29,844,009	2,476,230	4,841,062
LIABILITIES			
Current liabilities			
Accounts payable	62,539	620,954	253,488
Accrued liabilities	43,633	76,828	-
Accrued interest	-	-	48,084
Due to governmental units	-	210,762	-
Due to primary government	-	-	8,850
Deferred revenue	947,963	43,770	-
Notes payable	-	-	-
Current portion of compensated absences	31,000	-	-
Current portion of long-term debt	128,150	-	200,000
Total current liabilities	1,213,285	952,314	510,422
Noncurrent liabilities			
Noncurrent portion of compensated absences	99,798	136,685	-
Noncurrent portion of long-term debt	113,703	-	4,240,000
Total noncurrent liabilities	213,501	136,685	4,240,000
TOTAL LIABILITIES	1,426,786	1,088,999	4,750,422
NET ASSETS			
Invested in capital assets, net of related debt	26,825,782	136,062	-
Restricted for other purposes	1,591,441	1,251,169	90,640
Restricted for debt service	-	-	-
TOTAL NET ASSETS	\$ 28,417,223	\$ 1,387,231	\$ 90,640

See accompanying notes to financial statements.

Drainage Districts	Economic Development Corporation	Total Component Units
\$ 184,251	\$ 94,237	\$ 2,701,939
640,852	-	2,401,229
-	-	405,170
-	-	620,291
2,976	-	2,976
-	-	131,844
-	-	248,084
828,079	94,237	6,511,533
254,000	-	382,387
-	-	4,240,000
1,093,041	2,995	28,299,733
1,347,041	2,995	32,922,120
2,175,120	97,232	39,433,653
2,612	2,199	941,792
-	1,635	122,096
5,278	-	53,362
-	-	210,762
-	-	8,850
425,871	-	1,417,604
200,000	-	200,000
-	-	31,000
137,203	-	465,353
770,964	3,834	3,450,819
-	-	236,483
487,790	-	4,841,493
487,790	-0-	5,077,976
1,258,754	3,834	8,528,795
522,048	2,995	27,486,887
220,481	90,403	3,244,134
173,837	-	173,837
\$ 916,366	\$ 93,398	\$ 30,904,858

St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
Drainage Districts	\$ 164,016	\$ -	\$ -	\$ 226,447	\$ 62,431
Board of Public Works	1,449,932	-	1,456,375	-	6,443
Economic Development Corporation	139,199	95,043	-	-	(44,156)
Community Mental Health	10,005,435	7,859,330	2,066,032	-	(80,073)
Road Commission	6,027,248	612,335	5,450,558	570,955	606,600
TOTALS	<u>\$ 17,785,830</u>	<u>\$ 8,566,708</u>	<u>\$ 8,972,965</u>	<u>\$ 797,402</u>	551,245
General revenues					
Property taxes					863,529
Unrestricted grants and contributions					31,783
Interest earned					35,970
Miscellaneous					<u>15,378</u>
Total general revenues and transfers					<u>946,660</u>
CHANGE IN NET ASSETS					1,497,905
Net assets, beginning of year					<u>29,406,953</u>
Net assets, end of year					<u>\$ 30,904,858</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of St. Joseph, Michigan, was incorporated in 1829, and covers an area of approximately 516 square miles with the County seat located in the Village of Centreville. The County operates under an elected Board of Commissioners and provides services to its more than 62,422 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of St. Joseph County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities are in substance, part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The following funds are reported on the fiscal year-end of September 30, 2004:

<u>Fund Name</u>	<u>Fund Type</u>
Mental Health Services	Discretely Presented Component Unit Fund
Commission on Aging	Special Revenue Fund
Victims Rights Advocate	Special Revenue Fund
Community Corrections Advisory Board	Special Revenue Fund
Community Corrections Program	Special Revenue Fund
Secondary Road Patrol	Special Revenue Fund
COA Gadabouts	Enterprise Fund

2. Blended Component Unit

The St. Joseph County Family Independence Agency is governed by a three (3) member Board. The Board consists of two (2) members appointed by the County Board of Commissioners and one (1) State appointed member. The Board is responsible for establishing policies and the operational oversight of the local administration of the State of Michigan Social Welfare program. Although the employees of the St. Joseph County Family Independence Agency are employed by the State of Michigan and substantially all the programs are financed by the State, State law requires the local activities to be "blended" with the local primary government.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, St. Joseph County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and St. Joseph County is such that exclusion of these entities would render the financial statements misleading or incomplete.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The St. Joseph County Community Mental Health Services is governed by a twelve (12) member Board appointed by the County Board of Commissioners. The St. Joseph County Community Mental Health Services (the Authority) is legally separate from the County. Its sole purpose is to provide services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of St. Joseph County.

The St. Joseph County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the St. Joseph County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The St. Joseph County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner, a County Commissioner, and five (5) members selected by the County Board of Commissioners. The Board is under the general control of the County Board of Commissioners. The Board can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government. Projects are initiated when the local unit requests the assistance of the BPW in organizing a project. Usually projects are financed by the sale of bonds upon final approval by the County Board of Commissioners as recommended by the BPW. The County must sell the bonds and pledge its full faith and security for payment of principal and interest. Special assessments are levied by the local units of government on benefited properties and are forwarded to the County for payment of principal and interest.

The Drainage Districts in the County come under the jurisdiction of the St. Joseph County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The St. Joseph County Economic Development Corporation (EDC) is a fifteen (15) member board appointed by the County Board of Commissioners. The EDC may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County.

4. Joint Ventures

The County participates in the following activities, which are considered to be joint ventures in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Branch-Hillsdale-St. Joseph Community Health Agency - The County is a member of the Branch-Hillsdale-St. Joseph Community Health Agency, which is a joint venture between St. Joseph, Branch, and Hillsdale Counties. The Community Health Agency has representation and provides services to St. Joseph, Branch, and Hillsdale Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 29, 30, and 41 percent, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Ventures - continued

St. Joseph County is responsible to fund approximately 41% of the required local contribution to cover operational costs. For the year ended December 31, 2004, the County contributed \$391,520 to cover its share of operational costs. The treasury function for the Branch-Hillsdale-St. Joseph District Health Agency rests with the Branch County Treasurer.

The financial activities of the Branch-Hillsdale-St. Joseph Community Health Agency are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2004, are available at the Agency's administrative offices. As of September 30, 2004, the Agency had total net assets of \$731,012.

5. Jointly Governed Organizations

The Region III C Area Agency on Aging provides comprehensive services to older individuals residing in St. Joseph and Branch Counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The Region III C Area Agency on Aging is governed by a seven (7) member Board appointed by the Board of Commissioners of the two (2) Counties it services. A copy of Region III C Area Agency on Aging's audit can be obtained at their Administrative offices.

St. Joseph County, in conjunction with Kalamazoo County, has formed a Workforce Development Board called the Kalamazoo-St. Joseph MWA for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. St. Joseph County appoints six (6) of the twenty-eight (28) members. A copy of the MWA's audited financial statements can be obtained at their Administrative offices.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Central Dispatch Fund is used to report central dispatch services that are financed primarily by taxes and expenditures within the fund all to be used for the operation of the system.
- c. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.
- d. The County Facilities Maintenance Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds), as well as the maintenance of current facilities.
- e. The Tax Payment Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

7. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, mutual funds, and time certificates with an original maturity of 90 days or less.

10. Restricted Cash

Drainage District (component unit) Fund holds restricted cash for Drain capital improvement projects. The St. Joseph County Community Mental Health Services (component unit) Fund holds funds in a separate bank for the future payment of the vested portion of compensated absences as of September 30, 2004. The use of these funds is restricted to payment of compensated absences.

11. Investments

Investments consist of certificates of deposit, Pension securities, and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

Inventories of the Central Service (General Fund) and the Commission on Aging Fund consist of miscellaneous consumer products on hand for resale, which are stated at the lower of first-in, first-out cost or market.

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of market value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the St. Joseph County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION AND MENTAL HEALTH)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$300 or more and an estimated useful life of more than one year. Drain infrastructure with individual cost of \$50,000 will be capitalized.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 30 years
Buildings and improvements	10 - 50 years
Equipment	3 - 7 years
Vehicles	5 years
Drain infrastructure	40 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund of the Road Commission.

Depreciation is recorded over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5 - 8 years
Infrastructure	8 - 50 years

MENTAL HEALTH - COMPONENT UNIT

Capital assets, which include furniture, fixtures, and equipment, are reported in the government column in the government-wide financial statements. Capital assets are defined by the Authority as individual assets with an initial cost equal to or more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Furniture, fixtures and equipment	3 - 20 years
Computer equipment	5 years
Vehicles	5 years

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Compensated absences of the primary government that are allowed to accumulate are charged to operation in the Flexible Benefits Insurance Fund (an Internal Service fund) as the benefits accrue.

Compensated absences for the Road Commission (component unit) are included as the current portion of the liability for vacation and sick leave benefits as an expenditure and liability in the Road Commission Fund. The long-term portion is recorded in the general long-term debt account group within the Road Commission Fund.

Vested vacation and sick leave earned as of September 30, 2004 for St. Joseph Community Mental Health Services (component unit) is recorded in the component unit's government-wide financial statements.

18. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

19. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenue. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. By November of each year, the County Administrator submits the proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. By December of each year, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue. For control purposes, General Fund is maintained at the activity and account level and Special Revenue Funds are maintained at the functional level.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED20. Budgets and Budgetary Accounting - continued

- e. The County employs encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.
- g. The remaining budgetary requirements as set forth by the County are detailed within their budget document.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately thirty-five funds. Cash overdrafts of individual funds as of December 31, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	<u>\$(4,207,824)</u>	<u>\$ 5,665</u>	<u>\$(4,202,159)</u>

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 40 funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 404,783	\$ 1,088,703
Savings	1,059,160	1,062,438
Certificates of deposit	<u>1,014,239</u>	<u>1,014,239</u>
Total primary government	2,478,182	3,165,380
FIDUCIARY FUNDS		
Checking	289,458	310,020
Savings	<u>2,021,996</u>	<u>2,021,996</u>
Total fiduciary funds	2,311,454	2,332,016
COMPONENT UNITS		
Checking	3,049,608	3,374,730
Savings	<u>34,558</u>	<u>34,575</u>
Total component units	<u>3,084,166</u>	<u>3,409,305</u>
TOTAL REPORTING ENTITY	<u>\$ 7,873,802</u>	<u>\$ 8,906,701</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2004, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$782,609 and the amount of \$8,124,092 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2004, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Market Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent in the County's name -	
U.S. Treasury Bills	\$13,393,562
U.S. Government Securities	<u>2,333,852</u>
	15,727,414
Uncategorized pooled investment funds - primary government	515,386
Uncategorized pooled investment funds - fiduciary	<u>14,573,668</u>
	<u>15,089,054</u>
	<u>\$30,816,468</u>

The County has investments purchased for the County employee's Pension Trust Fund through one (1) bank. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2004, the market value, which is the carrying amount of the pension trust plan assets were \$14,573,668.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,159,724	\$ 2,701,939	\$ 2,311,454	\$ 7,173,117
Cash and cash equivalents - restricted	-	382,387	-	382,387
Investments	<u>16,727,414</u>	<u>-</u>	<u>14,573,668</u>	<u>31,301,082</u>
	<u>\$18,887,138</u>	<u>\$ 3,084,326</u>	<u>\$16,885,122</u>	<u>\$38,856,586</u>

The primary government cash and cash equivalents caption on the Statement of Net Assets include \$10,525 in imprest cash and the component units have \$160 of imprest cash. The Community Corrections Advisory Board Fund, Victims Rights Advocate Fund, and Commission on Aging Fund portion of pooled cash and cash equivalents presented above is as of December 31, 2004. However, their financial statements have been presented as of September 30, 2004, which results in a timing difference of \$155,631 for the primary government.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE D: INTERFUND TRANSFERS

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business type funds have been eliminated.

<u>Fund</u>	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Primary Government				
General	\$ 90,518	\$ 547,842	\$ -	\$ -
Central Dispatch	-	17,000	-	-
County facilities maintenance	-	423,182	-	-
Nonmajor governmental funds	1,094,940	188,941	-	-
Delinquent tax revolving	1,507	-	-	-
Component Units				
Drainage Districts	-	-	40,163	40,163
	<u>\$ 1,186,965</u>	<u>\$ 1,176,965</u>	<u>\$ 40,163</u>	<u>\$ 40,163</u>

The difference of \$10,000 was from the General Fund which transferred funds to the Victims Rights Advocate Fund in November 2003, and the Victims Rights Advocate Fund was reported as a September 30 year-end fund.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2004:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 573,178</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or services that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The following schedule details interfund receivables and payables related to the component units at December 31, 2004:

Due from General Fund to:	
Component units - Drainage Districts	<u>\$ 2,976</u>
Due to General Fund from:	
Component units - BPW	<u>\$ 8,850</u>

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

PRIMARY GOVERNMENT

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Governmental activities				
Land and land improvements	\$ 1,053,505	\$ 418,951	\$ -	\$ 1,472,456
Buildings and additions	11,591,197	2,535,311	-	14,126,508
Vehicles and equipment	2,862,945	280,455	49,084	3,094,316
Construction in progress	<u>206,278</u>	<u>-</u>	<u>-</u>	<u>206,278</u>
Totals at historical cost	15,713,925	3,234,717	49,084	18,899,558
Less accumulated depreciation for:				
Land improvements	(392,077)	(54,506)	-	(446,583)
Buildings and additions	(6,234,928)	(160,867)	-	(6,395,795)
Vehicles and equipment	<u>(1,752,283)</u>	<u>(215,656)</u>	<u>(20,670)</u>	<u>(1,947,269)</u>
Total accumulated depreciation	<u>(8,379,288)</u>	<u>(431,029)</u>	<u>(20,670)</u>	<u>(8,789,647)</u>
Capital assets, net	<u>\$ 7,334,637</u>	<u>\$ 2,803,688</u>	<u>\$ 28,414</u>	<u>\$ 10,109,911</u>
Business-type activities				
Vehicles and equipment	\$ 16,739	\$ -	\$ -	\$ 16,739
Less accumulated depreciation for:				
Vehicles and equipment	<u>(6,870)</u>	<u>(1,559)</u>	<u>-</u>	<u>(8,429)</u>
Capital assets, net	<u>\$ 9,869</u>	<u>\$ (1,559)</u>	<u>\$ -0-</u>	<u>\$ 8,310</u>

Depreciation expense was charged to activities of the primary government as follows:

Governmental Activities:	
General government	\$ 253,841
Public safety	111,668
Health and welfare	11,253
Recreation and cultural	<u>54,267</u>
	431,029
Business-type Activities:	
Nonmajor - Three Rivers Community Center	<u>1,559</u>
	<u>\$ 432,588</u>

COMPONENT UNITS

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Drainage Districts				
Drains	\$ 1,239,319	\$ -	\$ -	\$ 1,239,319
Construction in progress	<u>63,569</u>	<u>108,168</u>	<u>-</u>	<u>171,737</u>
	1,302,888	108,168	-0-	1,411,056
Less accumulated depreciation for:				
Drains	<u>(287,032)</u>	<u>(30,983)</u>	<u>-</u>	<u>(318,015)</u>
Capital assets, net	<u>\$ 1,015,856</u>	<u>\$ 77,185</u>	<u>\$ -0-</u>	<u>\$ 1,093,041</u>

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F: CAPITAL ASSETS - CONTINUED

COMPONENT UNITS - CONTINUED

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Economic Development				
Vehicles and equipment	\$ 6,965	\$ 1,289	\$ -	\$ 8,254
Less accumulated depreciation for: Vehicles and equipment	(4,275)	(984)	-	(5,259)
Capital assets, net	<u>\$ 2,690</u>	<u>\$ 305</u>	<u>\$ -0-</u>	<u>\$ 2,995</u>
Road Commission				
Capital assets not being depreciated				
Infrastructure - Land/Right-of-Way	\$ 218,750	\$ 3,046	\$ -	\$ 221,796
Infrastructure - Land Improvements	<u>6,723,172</u>	<u>366,175</u>	<u>1,328</u>	<u>7,088,019</u>
Totals at historical cost - nondepreciable assets	6,941,922	369,221	1,328	7,309,815
Capital assets being depreciated				
Buildings	1,089,690	15,822	-	1,105,512
Road Equipment	6,763,410	156,290	502,633	6,417,067
Shop Equipment	265,028	9,555	4,742	269,841
Office Equipment	148,151	3,912	8,439	143,624
Engineer's Equipment	57,181	3,159	-	60,340
Yard and Storage	24,355	-	-	24,355
Depletable assets	130,309	-	-	130,309
Infrastructure	<u>34,524,119</u>	<u>2,124,645</u>	<u>8,446</u>	<u>36,640,318</u>
Totals at historical cost - depreciable assets	43,002,243	2,313,383	524,260	44,791,366
Less accumulated depreciation for:				
Buildings	(469,078)	(30,223)	-	(499,301)
Equipment	(5,830,599)	(539,742)	(512,483)	(5,857,858)
Depletable assets	(57,537)	(14,500)	-	(72,037)
Infrastructure	<u>(17,305,320)</u>	<u>(1,307,476)</u>	<u>(8,446)</u>	<u>(18,604,350)</u>
Total accumulated depreciation	<u>(23,662,534)</u>	<u>(1,891,941)</u>	<u>(520,929)</u>	<u>(25,033,546)</u>
Capital assets being depreciated, net	<u>19,339,709</u>	<u>421,442</u>	<u>3,331</u>	<u>19,757,820</u>
Total capital assets, net	<u>\$ 26,281,631</u>	<u>\$ 790,663</u>	<u>\$ 4,659</u>	<u>\$ 27,067,635</u>
Mental Health				
Furniture, fixtures, and equipment	\$ 628,536	\$ 72,872	\$ 3,202	\$ 698,206
Less accumulated depreciation for: Furniture, fixtures, and equipment	(506,207)	(59,139)	(3,202)	(562,144)
Capital assets, net	<u>\$ 122,329</u>	<u>\$ 13,733</u>	<u>\$ -0-</u>	<u>\$ 136,062</u>

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2004:

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Truck Loan	\$ 12,802	\$ -	\$ 12,802	\$ -0-	\$ -
COMPONENT UNITS					
Board of Public Works					
Water and sewer bonds	4,290,000	335,000	185,000	4,440,000	200,000
Drainage Districts					
Drain notes	634,485	200,000	209,492	624,993	137,203
Mental Health Services					
Accrued vacation and sick	138,381	-	1,696	136,685	-
Road Commission					
Installment leases	544,440	-	302,587	241,853	128,150
Accrued vacation and sick	126,140	4,658	-	130,798	31,000
	<u>670,580</u>	<u>4,658</u>	<u>302,587</u>	<u>372,651</u>	<u>159,150</u>
TOTAL COMPONENT UNITS	<u>5,733,446</u>	<u>539,658</u>	<u>698,775</u>	<u>5,574,329</u>	<u>496,353</u>
TOTAL REPORTING ENTITY	<u>\$ 5,746,248</u>	<u>\$ 539,658</u>	<u>\$ 711,577</u>	<u>\$ 5,574,329</u>	<u>\$ 496,353</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water and Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water and sewer system bonds. These projects are administered by the St. Joseph County BPW in conjunction with local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds.

Bonds payable at December 31, 2004, per respective construction projects serviced from the Component Unit Debt Service Funds of the Board of Public Works are as follows:

St. Joseph County Sanitary Sewer System #8, Series 1989 Refunding Bonds maturing serially through 2009 in annual amounts ranging from \$30,000 to \$35,000, with interest at 7.50 percent.	\$ 170,000
St. Joseph County Limited Tax General Obligation, Wastewater System #10 & 11, Series 1997 Bonds maturing serially through 2017 in annual amounts ranging from \$75,000 to \$80,000, with interest rates ranging from 4.80 to 5.25 percent.	1,000,000
St. Joseph County Limited Tax General Obligation, Water Supply System #13, Series 1997 Bonds maturing serially through 2017 in annual amounts ranging from \$10,000 to \$15,000, with interest at 5.25 percent.	185,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water and Sewer Bonds - continued

St. Joseph County Limited Tax General Obligation, Sewage Disposal System #14, Series 1998 Bonds maturing serially through 2017 in annual amounts ranging from \$70,000 to \$130,000, with interest rates ranging from 4.5 to 5.00 percent.	\$ 1,245,000
St. Joseph County Limited Tax General Obligation, Sanitary Sewer #15, Series 2002 Bonds maturing serially through 2022 in annual amounts ranging from \$15,000 to \$130,000, with interest rates ranging from 4.35 to 5.10 percent.	1,505,000
St. Joseph County Limited Tax General Obligation, Water Supply #6, Series 2004 Bonds maturing serially through 2019 in annual amounts ranging from \$15,000 to \$30,000, with interest rates ranging from 3.5 to 4.65 percent.	<u>335,000</u>
	<u>\$ 4,440,000</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain notes. These projects are administered by the St. Joseph County Drain Commission for various local drainage districts. The drain notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Notes payable at December 31, 2004, per respective Drain projects serviced from the Capital Projects Funds of the Component Unit Drainage Districts are as follows:

St. Joseph County Loan with Citizens Commercial & Savings Bank dated August 14, 1995 for Fund Lake Land Project (Fish Lake), nine annual payments of \$21,357 at an interest rate of 7.00 percent.	\$ 14,993
St. Joseph County Loan with Citizens Bank dated September 30, 1998 for Lake Level Special for Palmer and Long Lakes (Lamberson Dam), ten annual payments of \$77,500 at an interest rate of 4.125 percent.	310,000
St. Joseph County with Century Bank and Trust dated June 9, 2003 for Grover and Coohon Drain, six annual payments ranging from \$18,877 to \$21,086 at an interest rate of 2.95 percent.	100,000
St. Joseph County with Citizens Bank dated October 7, 2004 for Portage Lake Drain, seven annual payments of \$32,556 at an interest rate of 3.375 percent.	<u>200,000</u>
Total Drainage Districts Drain Notes	<u>\$ 624,993</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - MENTAL HEALTH SERVICES

Significant details regarding accumulated vacation and sick are presented below:

Accumulated Vacation and Sick

In accordance with the Mental Health Services personnel policies and/or contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounted to \$136,685 for vacation and sick at December 31, 2004. This amount, \$136,685, has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Installment Leases

The Road Commission has the following remaining installment lease contracts, each of which is secured by the related equipment, as follows:

<u>Equipment</u>	<u>Annual Installments Including Interest</u>	<u>Interest Rate</u>	<u>Due</u>
Wise International Trucks (5)	\$ 63,542	4.42 %	October 31, 2005
Caterpillar Motor Grader	29,360	4.75	March 1, 2006
MSG International Trucks (4)	45,248	3.73	June 15, 2007

For more information related to the Road Commission installment leases please see their separate audited financial statements.

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights including related payroll taxes, amounted to \$130,798 at December 31, 2004. Of the \$130,798 total liability, \$31,000 has been reported as a current liability and \$99,798 has been reported as a noncurrent liability.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

REPORTING ENTITY TOTALS

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and loans are as follows:

Year Ending December 31,	Component Units					
	Drainage Districts		Board of Public Works		Road Commission	
	<u>Drain Bonds and Notes</u>		<u>Water and Sewer Bonds</u>		<u>Installment Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 137,180	\$ 23,535	\$ 200,000	\$ 216,342	\$ 128,150	\$ 10,000
2006	123,610	17,863	235,000	205,820	70,081	4,527
2007	125,084	13,193	250,000	193,718	43,622	1,627
2008	126,603	8,477	260,000	180,874	-	-
2009	50,558	3,706	275,000	167,418	-	-
2010-2014	61,958	3,154	1,450,000	631,750	-	-
2015-2019	-	-	1,390,000	246,858	-	-
2020-2022	-	-	380,000	29,166	-	-
	<u>\$ 624,993</u>	<u>\$ 69,928</u>	<u>\$ 4,440,000</u>	<u>\$ 1,871,946</u>	<u>\$ 241,853</u>	<u>\$ 16,154</u>

NOTE H: SHORT-TERM DEBT

During the year ended December 31, 2004, the County issued \$200,000 of short-term drain notes. The notes are used for drain related projects within the County.

	Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
Short-term drain notes	<u>\$ 16,000</u>	<u>\$ 200,000</u>	<u>\$ 16,000</u>	<u>\$ 200,000</u>

NOTE I: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT SYSTEM - SHERIFF DEPARTMENT

The County Sheriff's department (POAM and administration employees only) participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All County Sheriff employees are covered by the retirement system as long as they meet the eligibility requirements detailed by the plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

25 or more years of credited service

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**RETIREMENT SYSTEM - SHERIFF DEPARTMENT - CONTINUED****Deferred Retirement:**

The termination of membership before age 60, other than by retirement or death, after 8 or 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

For the POAM and FOP units, the County is required to contribute the first 11% of covered compensation based on actuarial requirements and the employees contribute all amounts above the 11% maximum percentage. For the administration units, the County is required to contribute up to preestablished limits.

Annual Pension Cost

For the year ended December 31, 2004, the County's annual pension cost for this MERS plan was \$241,975. The plan payments were equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.5% per year, based on an age-related scale to reflect merit, longevity, and promotional salary increases. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 6,214,201	\$ 6,510,580	\$ 7,123,098
Actuarial accrued liability (AAL) (entry age)	6,874,506	7,359,941	8,190,992
Unfunded AAL	660,305	849,361	1,067,894
Funded ratio	90%	88%	87%
Covered payroll	1,819,067	1,957,738	2,082,191
UAAL as a percentage of covered payroll	36%	43%	51%
Annual pension cost	214,568	227,469	241,975
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL

The County's defined benefit pension plan, the St. Joseph County Employees' Retirement Plan, is a single-employer plan administered by the St. Joseph County Employees Retirement System Board of Trustees. The plan covers substantially all full-time employees with the following exceptions: Commission on Aging employees, Sheriff Department union and administrative staff, Road Commission employees and the St. Joseph County Mental Health employees. The plan was adopted and established by St. Joseph County effective December 31, 1967 under authority of section 12a of Public Act 156 of 1851, as amended. The System's financial statements are included in the combined financial statements of St. Joseph County as a pension trust fund. The County does not issue a stand-alone report for its Employees' Retirement System. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2003.

Benefits

The retirement system pension plan provides retirement, deferred allowances, disability, and death benefits to plan members and their beneficiaries in accordance with the County's retirement pension ordinance. Retiree health care benefits are paid for by the retirees on a reimbursement basis to the County. At December 31, 2003, there were 139 active members in the pension plan.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Funding Policy

The financial objective of the retirement system is to receive contributions each fiscal year which are sufficient to: (i) fund the actuarial cost of benefits likely to be paid on account of credited service earned by members during the fiscal year; and (ii) fund the unfunded actuarial cost of benefits likely to be paid on account of credited service earned by members prior to the fiscal year over a period of not more than 40 years. Contribution requirements shall be determined by annual actuarial valuation using a generally recognized level percent of payroll actuarial cost method. The board of trustees shall certify to the board of county commissioners the amount of annual contribution needed to meet the financial objective and the board of commissioners shall appropriate and cause the contribution to be paid to the retirement system. Effective January 1, 2004, plan members contribute 2% of covered compensation to the plan.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Periodic employer contributions to the pension plan are determined on an actuarial basis using an entry age actuarial funding method. Normal cost is funded on a current basis. The new liabilities for benefit and assumption changes were amortized over a 24-year period. Other unfunded actuarial accrued liabilities (asset surpluses) were being amortized as a level percent of member payroll over a rolling period of 10 years.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/01	\$13,246,678	\$11,433,055	\$ 1,813,623	115.9	\$ 3,988,604	45.5
12/31/02	13,102,791	12,466,468	636,323	105.1	4,159,830	15.3
12/31/03	13,264,588	13,532,836	(268,248)	98.0	4,504,916	6.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Ended <u>December 31,</u>	Annual Recommended Contribution	Actual Contributions	Percentage Contributed
2003	\$ 229,744	\$ 255,436	5.76 %
2002	94,626	106,968	2.54
2001	52,771	56,864	1.47

RETIREMENT SYSTEM - COUNTY COMMISSION ON AGING

The St. Joseph County Commission on Aging established a defined contribution pension plan (Simplified Employee Pension) with Fifth Third Bank (effective June 8, 1988) and Edward Jones, Inc. Eligible employees who are full time and have worked one year or are part-time and have worked at least three years and earned over \$500 per year are eligible for this plan. Plan provisions and contribution requirements are established and may be amended by the board. During the year ended September 30, 2004, the Commission on Aging's required and actual contributions amounted to \$25,976. Members are not required to contribute to the plan. Pension fund contributions are based on a fixed weekly rate for each employee covered by the personnel policy. There were 29 employees covered under this plan during 2004.

RETIREMENT SYSTEM - ROAD COMMISSION (COMPONENT UNIT)

The St. Joseph County Road Commission established the St. Joseph County Road Commission Money Purchase Pension Plan, a defined contribution plan on October 15, 1981. The plan, established to meet the requirements of Public Act 29 of 1943, covers substantially all employees of the Road Commission. The Road Commission is required to contribute 6% of covered payroll at the end of each plan year. Employees do not contribute to the plan. Fifth Third Bank and Trust Company, Trust Department, Kalamazoo, Michigan, is the trustee and administers the pension plan.

Plan provisions and contribution requirements are established and may be amended by the board of county road commissioners. To be eligible to participate in the plan, employees are required to have completed 12 consecutive months of service during which they have at least 1,000 hours of service. Upon termination of employment for reasons other than retirement, total and permanent disability, or death, a participant is entitled to receive 100% of the participant's amount representing the vested percentage of the balance in the participant's employer contribution account at the date of termination of employment. The Road Commission's contributions for each employee (and interest allocated to the employee's account) are partially vested after three (3) years of continuous service and fully vested after seven (7) years of continuous service. For the plan year ended October 31, 2004, the Road Commission contributed \$94,143 (representing 6% of covered payroll) to the plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

RETIREMENT SYSTEM - MENTAL HEALTH SERVICES (COMPONENT UNIT)

The Authority contributes to a defined contribution plan for the majority of its employees. The name of this plan is the "Community Mental Health Services of St. Joseph County Money Purchase Pension Plan".

This pension plan is a money purchase pension plan, which was effective February 1, 1989.

The Authority is required to contribute an amount equal to 5% of union members' compensation, and 9.5% of all other eligible employees' compensation for the year.

For the year ended September 30, 2004, the Authority's contribution to this plan totaled \$112,893.

Effective January 1, 2001, the Authority adopted the St. Joseph County Community Mental Health Social Security Alternative Plan for nonunion employees.

The Authority will contribute 6.2% of all non-union personnel's salary into this plan. Employees are also required to contribute 6.2% of their salary into this plan. Contributions are required for wages earned up to the Social Security Maximum Base.

NOTE J: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

NOTE K: ROAD COMMISSION FEDERAL GRANTS

Governmental and certain other entities which expend \$300,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$570,955 of federal dollars which were passed through and administered by the Michigan Department of Transportation and included in the State's Single Audit. If a Single Audit had been necessary it would have been performed and the report would have been issued under a separate cover and those funds would be excluded from the County's Single Audit.

NOTE L: RISK MANAGEMENT

The County is a voluntary member of the Michigan Municipal Risk Management Authority which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE L: RISK MANAGEMENT - CONTINUED

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing St. Joseph County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000
Property coverage	10,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that St. Joseph County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$225,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$225,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund St. Joseph County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2004, the County had reserves for reported claims of \$94,466 on deposit with the Authority.

The County also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE L: RISK MANAGEMENT - CONTINUED

Community Mental Health Services (Component Unit)

Community Mental Health Services (the Authority) is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Road Commission (Component Unit)

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (inter local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The St. Joseph County Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, equipment and building and contents.

The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the liability Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self-Insurance Fund. The estimated amount of the IBNR, or "Incurred But Not Reported" claims associated with the self-insurance arrangements is not considered to be material at December 31, 2004.

The Road Commission continues to carry commercial insurance for all other risks of loss, including life insurance, health program, data processing, commercial crime and boiler and machinery. Settled claims have not exceeded insurance coverage for the last three years.

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's 2004 ad valorem tax was levied and collectible on December 31, 2004. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's 2003 tax levy has been recognized as revenue in the current fiscal year. The 2004 taxable value of St. Joseph County amounted to \$1,475,310,925 on which ad valorem taxes levied for County general operating purposes consisted of 4.5794 mills. The County Central Dispatch, Commission on Aging, and Road Commission levied .7162, .3318, and 1.0000, respectively.

Taxes are collected by the various tax collecting units from the date of the levy and remitted to the County through the Trust and Agency Fund for distribution to the General, Central Dispatch, Commission on Aging, and Road Commission (component unit) Funds. The property taxes levied December 1 are accrued as current tax receivable with the appropriate deferral, and are budgeted as revenue in the subsequent year in the General, Central Dispatch, and Road Commission (component unit) Funds. No receivable/deferral is recorded in the Commission on Aging (Special Revenue) Fund because that fund has a September 30 fiscal year end.

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE - CONTINUED

Taxes receivable recorded in the respective funds at December 31, 2004, are as follows:

<u>Taxes Receivable</u>	<u>General</u>	<u>Special Revenue</u>		<u>Enterprise</u>	<u>Total</u>
		<u>Revenue Sharing Reserve</u>	<u>Central Dispatch</u>	<u>Tax Payment Fund</u>	
Current	\$ 4,504,026	\$ 2,252,013	\$ 1,056,618	\$ -	\$ 7,812,657
Delinquent	-	-	-	1,803,710	1,803,710
	<u>\$ 4,504,026</u>	<u>\$ 2,252,013</u>	<u>\$ 1,056,618</u>	<u>\$ 1,803,710</u>	<u>\$ 9,616,367</u>

The delinquent taxes receivable represents unpaid real property taxes in the Tax Payment Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable.

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance and net assets indicates that portion of fund equity which the County has set aside for specific purposes. The reserves and designations are recorded at the fund level to indicate management's plans for these funds.

The following are the various fund balance reserves as of December 31, 2004:

PRIMARY GOVERNMENT

General Fund	
Reserved for	
Prepayments	\$ 75,375
Inventory	<u>48,105</u>
	123,480
Special Revenue Funds	
Parks and Recreation	
Reserved for prepayments	2,568
Central Dispatch	
Reserved for prepayments	7,190
Commission on Aging	
Reserved for prepayments	13,633
Reserved for inventory	4,455
Secondary Road Patrol	
Reserved for prepayments	4,107
Victim's Rights Advocate	
Reserved for prepayments	<u>691</u>
	32,644
Permanent Fund	
Nonexpendable Trust Fund	
Cemetery	
Reserved for cemetery maintenance	<u>14,565</u>

TOTAL PRIMARY GOVERNMENT 170,689

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS

Board of Public Works	
Fish Lake Sewer System	
Reserved for debt service	\$ 192
Klinger Lake Sewer Extension	
Reserved for debt service	<u>108</u>
	300
Drainage Districts	
Lamberson Dam	
Reserved for debt service	127,624
Portage Lake Drain	
Reserved for debt service	32,556
Fish Lake Drain	
Reserved for debt service	<u>18,935</u>
TOTAL COMPONENT UNITS	<u>179,115</u>
	<u>\$ 350,104</u>

The following are fund balance designations as of December 31, 2004:

PRIMARY GOVERNMENT

Capital Projects Funds	
County Facilities Maintenance	
Designated for capital projects	\$ 86,939

COMPONENT UNITS

Board of Public Works	
Capital Projects	
Constantine Village Sewer System Construction	
Designated for capital expenditures	34,575
Lockport Township Water Supply System Construction	
Designated for capital expenditures	<u>55,765</u>
	90,340
Drainage District	
Capital Projects	
Long Lake Level - Fabius Revolving	
Designated for capital expenditures	6,127
Regular Drain	
Designated for capital expenditures	100,363
Klinger Lake Level Special Assessment	
Designated for capital expenditures	408
Drain Revolving Maintenance	
Designated for capital expenditures	13,100
Palmer/Long Lake Revolving	
Designated for capital expenditures	140,419

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS - CONTINUED

Drainage District - continued	
Capital Projects - continued	
Eberhard Lake Level Special Assessment	
Designated for capital expenditures	\$ 4,371
Grey Lake Study	
Designated for capital expenditures	1,195
Revolving Drain Maintenance	
Designated for capital expenditures	<u>8,498</u>
	<u>274,481</u>
 TOTAL COMPONENT UNITS	 <u>364,821</u>
 TOTAL REPORTING ENTITY	 <u>\$ 451,760</u>

The County has recorded designations of net assets in the proprietary funds that reflect management's plans for use of those funds. Since designations are not appropriate for presentation on the face of the applicable statements of net assets, the designations are listed here.

The following is the net asset designation as of December 31, 2004:

Enterprise Funds	
Tax Payment Fund	
Designated for future tax notes	<u>\$ 800,000</u>

NOTE O: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
Central dispatch	\$ 780,346
Central dispatch wireless	259,059
Traffic safety	145,419
Drug law enforcement	65,714
Community corrections advisory board	26,699
Community corrections program	82,461
Secondary road patrol	44,590
Law enforcement	113,724
Sheriff's justice training	7,276
Homeland security	151
Local corrections officers training	13,131
Animal shelter donations	<u>38,006</u>
	<u>\$ 1,576,576</u>
 Restricted for	
Public safety	
Capital improvements	<u>\$ 86,939</u>

St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE O: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Governmental activities - continued

Restricted for

Other purposes

Parks and recreation	\$ 32,072
Meyer Broadway Park	76,646
Facilities and land acquisition	1,271
Friend of the Court	7,107
Family counseling	6,884
Court case flow assistance	16,798
Waste management	403,172
Commission on aging	322,249
FIA	78,139
FIA child care	23,906
Veterans' trust	2,573
Remonumentation	4,255
Principal residence denial	11,960
Victims' rights advocates	31,863
Law library	6,873
CDBG housing	83,897
Child care probate	18,792
Board of Public Works administration	10,777
Cade Lake Park	4,360
Cemetery	14,565
Employee benefits	465
State Revenue Sharing	2,252,013
Budget stabilization	<u>1,431,700</u>

\$ 4,842,337

COMPONENT UNITS

Restricted for other purposes

Road Commission

Restricted for County roads \$ 1,591,441

Community Mental Health

Restricted for health and welfare 1,251,169

Board of Public Works

Restricted for public works projects 90,640

Drainage Districts

Restricted for drain projects 220,481

Economic Development Corporation

Restricted for economic development 90,403

\$ 3,244,134

Restricted for Debt Service

Drainage Districts

\$ 173,837

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE P: NONCANCELABLE OPERATING LEASES

St. Joseph County Community Mental Health Services (component unit) Fund has entered into various operating leases for the use of real property, office equipment, and vehicles. Operating leases do not give rise to property rights or lease obligations, and therefore, the lease agreements are not reflected in the financial statements.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of the Services' year ended September 30, 2004:

<u>Year Ending September 30.</u>	<u>Amount</u>
2005	\$ 253,250
2006	63,348
2007	32,763

NOTE Q: CONTRACTUAL COMMITMENTS

The County has entered into a contract for the jail additions and renovations on the current building. This project is funded by the County Facilities Maintenance Fund. The amount of the contracted commitment outstanding as of December 31, 2004 is \$331,550 for which the County has fund equity available to cover these commitments.

The County entered into a three year agreement "Contract Defender System Agreement" on January 7, 2003. The agreement calls for one remaining payment of \$400,000 in 2005. It is anticipated that the County will have sufficient revenue to cover the cost through court fees and other General Fund revenue.

NOTE R: FUND EQUITY DEFICIT

The following fund had a fund equity deficit at December 31, 2004:

Primary Government	
Special Revenue Funds	
Register of Deeds Automation	\$ 123,363

REQUIRED SUPPLEMENTARY INFORMATION

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 6,760,871	\$ 6,760,871	\$ 6,703,985	\$ (56,886)
Payments in lieu of taxes	1,000	1,000	627	(373)
Mobile home park taxes	5,000	5,000	5,191	191
Tax reverted lands	1,000	1,000	-	(1,000)
Expense of sale/Administrative fees	4,400	4,400	11,323	6,923
Total taxes	6,772,271	6,772,271	6,721,126	(51,145)
Licenses and permits				
Dog licenses	72,000	72,000	71,941	(59)
Marriage license fees	2,000	2,000	3,060	1,060
Gun permits	3,000	3,000	16,031	13,031
Total licenses and permits	77,000	77,000	91,032	14,032
Intergovernmental - Federal/State				
Emergency Management Assistance	20,000	20,000	29,132	9,132
SCAAP grant	-	-	10,742	10,742
Planning grant	-	-	600	600
Emergency Planning - site plans	-	-	127	127
FOC - CRP	415,578	415,578	438,322	22,744
FOC - incentive program	80,000	80,000	257,950	177,950
State cooperative reimbursement	23,670	23,670	10,652	(13,018)
J.A.I.B.G. grant	12,000	12,000	6,054	(5,946)
Prosecutor - CRP	105,000	105,000	83,844	(21,156)
Caseflow assistance grant	18,700	18,700	11,383	(7,317)
Victims' Rights	6,000	6,000	5,290	(710)
Juvenile officer grant	27,317	27,317	27,317	-0-
Probate court judge salary	94,195	94,195	101,611	7,416
Circuit court judge	45,724	45,724	45,724	-0-
District court judge	91,673	91,673	91,898	225
Probate court judge	46,174	46,174	45,724	(450)
Court equity	402,800	402,800	461,007	58,207
Revenue sharing - per capita	896,720	896,720	498,106	(398,614)
Revenue sharing - inventory	154,429	154,429	144,561	(9,868)
Convention facility tax	148,288	148,288	142,550	(5,738)
Cigarette tax	33,069	34,901	35,899	998
Liquor license	12,000	12,000	12,574	574
Marine safety grant	26,000	18,312	29,443	11,131
Total intergovernmental - Federal/State	2,659,337	2,653,481	2,490,510	(162,971)

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental - local				
Traffic safety commission	\$ -	\$ -	\$ 4,227	\$ 4,227
Charges for services				
Circuit Court costs	76,550	76,550	88,367	11,817
District Court costs	355,000	355,000	373,294	18,294
Probate / family court	80,148	80,148	89,469	9,321
Treasurer	8,470	8,470	10,176	1,706
Clerk	78,950	78,950	76,844	(2,106)
Register of deeds	604,500	604,500	533,979	(70,521)
Friend of the Court service fees	59,000	59,000	70,984	11,984
Sheriff department	92,100	92,100	104,484	12,384
Telephone commissions	65,600	65,600	48,383	(17,217)
Board of public works	60,000	60,000	8,850	(51,150)
Equalization	102,200	102,200	92,112	(10,088)
Central services	28,050	28,050	35,399	7,349
Animal control	8,800	8,800	10,458	1,658
Total charges for services	1,619,368	1,619,368	1,542,799	(76,569)
Interest and rents				
Interest on investments	231,000	231,000	198,067	(32,933)
Rental fees	5,700	5,700	4,679	(1,021)
Total interest and rents	236,700	236,700	202,746	(33,954)
Fines and forfeits				
District Court	425,350	425,350	492,229	66,879
County clerk	2,500	2,500	3,880	1,380
Animal control	4,000	4,000	860	(3,140)
Total fines and forfeits	431,850	431,850	496,969	65,119

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other				
Reimbursements - workers' comp.	\$ -	\$ -	\$ 29,556	\$ 29,556
Reimbursements - gasoline	20,000	20,000	23,898	3,898
Reimbursements - insurance	-	-	10,239	10,239
Reimbursements - attorney fees	600	600	1,022	422
Reimbursements - visiting judge fees	-	-	4,636	4,636
Reimbursements - drain assessments	2,706	2,706	2,706	-0-
Reimbursements- juror compensation	-	-	23,934	23,934
Reimbursements - miscellaneous	3,000	3,000	11,974	8,974
Sale of capital assets	2,000	2,000	9,232	7,232
Sale of maps	19,800	19,800	14,774	(5,026)
Other	8,313	8,313	14,031	5,718
Total other	56,419	56,419	146,002	89,583
TOTAL REVENUES	11,852,945	11,847,089	11,695,411	(151,678)
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Local Corrections Officers Training	-	1,235	4,140	2,905
Central Dispatch Fund	17,000	17,000	17,000	-0-
Principal Residence Denial Fund	-	-	10,850	10,850
Friend of the Court Fund	6,500	6,500	3,000	(3,500)
Remonumentation Fund	-	-	1,450	1,450
Drug Law Enforcement Fund	40,000	40,000	40,000	-0-
Veteran's Trust	-	12,056	-	(12,056)
Law Enforcement Fund	11,214	11,214	14,078	2,864
TOTAL OTHER FINANCING SOURCES	74,714	88,005	90,518	2,513
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 11,927,659</u>	<u>\$ 11,935,094</u>	<u>\$ 11,785,929</u>	<u>\$ (149,165)</u>

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Board of Commissioners	\$ 141,766	\$ 154,441	\$ 154,181	\$ 260
County Administrator	125,339	125,339	123,873	1,466
Elections	59,700	28,700	25,378	3,322
Finance	187,394	187,394	184,916	2,478
Clerk	341,240	341,240	340,883	357
Equalization	271,364	264,553	252,655	11,898
Human resources	106,820	94,420	93,992	428
G.I.S.	153,677	151,677	146,985	4,692
Prosecuting Attorney	643,037	639,626	628,502	11,124
Register of Deeds	200,976	200,976	189,846	11,130
Central services	353,653	375,449	375,232	217
Survey and remonumentation	108	108	108	-0-
Treasurer	219,583	223,647	223,162	485
MSU extension service	204,844	204,844	201,023	3,821
Data processing	250,371	217,571	197,051	20,520
Building and grounds	852,523	870,523	845,256	25,267
Courts building security	65,855	65,855	64,861	994
Drain commission	78,985	86,699	83,899	2,800
Boundary commission	300	300	-	300
Circuit Court	291,870	328,779	313,347	15,432
Public Defender	363,500	364,537	364,537	-0-
District Court	1,001,954	1,002,045	973,547	28,498
Appeals Court	20,765	20,765	19,678	1,087
Probate Court	293,564	294,364	289,792	4,572
Child Care - Probate Court	139,000	139,000	107,957	31,043
Family Court	763,819	755,819	739,434	16,385
Jury commission	1,950	1,950	1,565	385
Friend of the Court	611,809	608,209	596,702	11,507
Total general government	7,745,766	7,748,830	7,538,362	210,468
Public safety				
Sheriff - County	1,578,311	1,578,236	1,555,820	22,416
Sheriff - Reserves	12,763	12,763	8,995	3,768
Marine safety	40,998	32,727	26,301	6,426
Jail	1,711,584	1,848,502	1,848,317	185
Emergency Services	63,087	66,137	65,839	298
Livestock claims	500	500	30	470
Animal control	163,865	160,865	156,816	4,049
Total public safety	3,571,108	3,699,730	3,662,118	54,612

St. Joseph County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public works				
Board of public works	\$ 12,300	\$ 11,957	\$ 11,304	\$ 653
Road Commission	30,000	30,000	30,000	-0-
Total public works	42,300	41,957	41,304	653
Health and Welfare				
District Health	389,689	391,521	391,520	1
Veteran's services	1,725	13,781	6,307	7,474
Medical examiner	41,900	26,900	21,075	5,825
Substance Abuse Council	74,144	74,144	71,275	2,869
Mental Health Services	192,980	192,980	192,980	-0-
Veteran's Affairs	3,300	3,300	1,140	2,160
Total health and welfare	703,738	702,626	684,297	18,329
Community economic and development				
Plat board	808	808	162	646
Planning commission	10,915	10,915	10,318	597
Total community economic and development	11,723	11,723	10,480	1,243
Other				
Other	26,412	26,412	26,025	387
Contingency	200,000	3,371	-	3,371
Total other	226,412	29,783	26,025	3,758
TOTAL EXPENDITURES	12,301,047	12,234,649	11,962,586	289,063
Operating Transfers to Other Funds				
Remonumentation Fund	6,000	6,000	6,000	-0-
Parks and Recreation Fund	103,792	103,792	103,792	-0-
Principle Residence Denial Fund	-	10,850	10,850	-0-
FIA Fund	14,200	14,200	14,200	-0-
Child Care Probate Fund	219,500	284,500	284,500	-0-
FIA Child Care Fund	110,000	110,000	110,000	-0-
Secondary Road Patrol Fund	10,000	10,000	10,000	-0-
Law Library Fund	8,500	8,500	8,500	-0-
Total transfers to other funds	471,992	547,842	547,842	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 12,773,039	\$ 12,782,491	\$ 12,510,428	\$ 289,063

St. Joseph County, Michigan

Central Dispatch

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 920,022	\$ 920,022	\$ 908,884	\$ (11,138)
Intergovernmental - Federal/State	26,000	26,000	23,838	(2,162)
Interest and rents	10,000	10,000	6,141	(3,859)
Other	-	-	1,574	1,574
TOTAL REVENUES	956,022	956,022	940,437	(15,585)
EXPENDITURES				
Current				
Public safety	954,790	993,286	937,866	55,420
Capital outlay	9,390	22,390	17,737	4,653
TOTAL EXPENDITURES	964,180	1,015,676	955,603	60,073
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,158)	(59,654)	(15,166)	(75,658)
OTHER FINANCING USES				
Operating transfer out	(17,000)	(17,000)	(17,000)	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(25,158)	(76,654)	(32,166)	(75,658)
Fund balances, beginning of year	812,512	812,512	812,512	-0-
Fund balances, end of year	\$ 787,354	\$ 735,858	\$ 780,346	\$ (75,658)

St. Joseph County, Michigan

Revenue Sharing Reserve

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ 2,252,013	\$ 2,252,013
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	2,252,013	2,252,013
Fund balances, beginning of year	-	-	-	-0-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,252,013</u>	<u>\$ 2,252,013</u>

OTHER SUPPLEMENTARY INFORMATION

St. Joseph County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2004

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
ASSETS			
Cash and cash equivalents	\$ 26,473	\$ 228,260	\$ 78,432
Accounts receivable	3,730	-	-
Taxes receivable	-	-	-
Due from other governmental units -			
Federal/State	-	32,078	-
Local	-	-	-
Prepayments	2,568	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 32,771</u>	<u>\$ 260,338</u>	<u>\$ 78,432</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 181	\$ 295	\$ 1,288
Accrued liabilities	518	984	498
Due to other funds	-	-	-
Advances from State	-	-	-
TOTAL LIABILITIES	699	1,279	1,786
FUND BALANCES (DEFICITS)			
Reserved for			
Prepayments	2,568	-	-
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>29,504</u>	<u>259,059</u>	<u>76,646</u>
TOTAL FUND BALANCES (DEFICITS)	<u>32,072</u>	<u>259,059</u>	<u>76,646</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,771</u>	<u>\$ 260,338</u>	<u>\$ 78,432</u>

Revenue

Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management
\$ 1,271	\$ 2,876	\$ 7,263	\$ 16,798	\$ 368,133
-	6	-	-	80,498
-	-	-	-	-
-	4,459	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,271</u>	<u>\$ 7,341</u>	<u>\$ 7,263</u>	<u>\$ 16,798</u>	<u>\$ 448,631</u>
\$ -	\$ -	\$ 379	\$ -	\$ 45,459
-	234	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	234	379	-0-	45,459
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,271</u>	<u>7,107</u>	<u>6,884</u>	<u>16,798</u>	<u>403,172</u>
<u>1,271</u>	<u>7,107</u>	<u>6,884</u>	<u>16,798</u>	<u>403,172</u>
<u>\$ 1,271</u>	<u>\$ 7,341</u>	<u>\$ 7,263</u>	<u>\$ 16,798</u>	<u>\$ 448,631</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special		
	Commission on Aging (9/30/2004)	FIA	FIA Child Care
ASSETS			
Cash and cash equivalents	\$ 334,199	\$ 146,998	\$ 10,425
Accounts receivable	18,736	-	-
Taxes receivable	-	-	-
Due from other governmental units -			
Federal/State	27,066	39,141	13,481
Local	-	-	-
Prepayments	13,633	-	-
Inventory	4,455	-	-
TOTAL ASSETS	<u>\$ 398,089</u>	<u>\$ 186,139</u>	<u>\$ 23,906</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 45,784	\$ -	\$ -
Accrued liabilities	30,056	-	-
Due to other funds	-	-	-
Advances from State	-	108,000	-
TOTAL LIABILITIES	75,840	108,000	-0-
FUND BALANCES (DEFICITS)			
Reserved for			
Prepayments	13,633	-	-
Inventory	4,455	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	304,161	78,139	23,906
TOTAL FUND BALANCES (DEFICITS)	<u>322,249</u>	<u>78,139</u>	<u>23,906</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 398,089</u>	<u>\$ 186,139</u>	<u>\$ 23,906</u>

Revenue

Traffic Safety	Veterans' Trust	Drug Law Enforcement	Remonumentation	Veteran's Memorial	Budget Stabilization
\$ 145,764	\$ 2,609	\$ 68,122	\$ 4,255	\$ 1,842	\$ 1,431,700
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 145,764</u>	<u>\$ 2,609</u>	<u>\$ 68,122</u>	<u>\$ 4,255</u>	<u>\$ 1,842</u>	<u>\$ 1,431,700</u>
\$ 345	\$ 36	\$ 2,408	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>345</u>	<u>36</u>	<u>2,408</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>145,419</u>	<u>2,573</u>	<u>65,714</u>	<u>4,255</u>	<u>1,842</u>	<u>1,431,700</u>
<u>145,419</u>	<u>2,573</u>	<u>65,714</u>	<u>4,255</u>	<u>1,842</u>	<u>1,431,700</u>
<u>\$ 145,764</u>	<u>\$ 2,609</u>	<u>\$ 68,122</u>	<u>\$ 4,255</u>	<u>\$ 1,842</u>	<u>\$ 1,431,700</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

		Special	
	Victims' Rights Advocates (9/30/2004)	Community Correction Advisory Board (9/30/04)	Community Correction Program (9/30/04)
ASSETS			
Cash and cash equivalents	\$ 15,906	\$ 27,756	\$ 88,358
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Due from other governmental units -			
Federal/State	16,533	4,791	-
Local	-	-	-
Prepayments	691	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 33,130</u>	<u>\$ 32,547</u>	<u>\$ 88,358</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 4,792	\$ 5,649
Accrued liabilities	1,267	1,056	248
Due to other funds	-	-	-
Advances from State	-	-	-
TOTAL LIABILITIES	1,267	5,848	5,897
FUND BALANCES (DEFICITS)			
Reserved for			
Prepayments	691	-	-
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>31,172</u>	<u>26,699</u>	<u>82,461</u>
TOTAL FUND BALANCES (DEFICITS)	<u>31,863</u>	<u>26,699</u>	<u>82,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,130</u>	<u>\$ 32,547</u>	<u>\$ 88,358</u>

Revenue

Law Enforcement	Secondary Road Patrol (9/30/04)	Law Library	CDBG Housing	Sheriff's Justice Training	Child Care Probate
\$ 60,931	\$ 19,654	\$ 7,763	\$ 83,109	\$ 7,276	\$ 17,713
-	-	-	-	-	-
-	-	-	-	-	-
-	23,907	-	1,568	-	25,512
55,944	-	-	-	-	-
-	4,107	-	-	-	-
-	-	-	-	-	-
<u>\$ 116,875</u>	<u>\$ 47,668</u>	<u>\$ 7,763</u>	<u>\$ 84,677</u>	<u>\$ 7,276</u>	<u>\$ 43,225</u>
\$ 17	\$ -	\$ 890	\$ 780	\$ -	\$ 23,887
3,134	3,078	-	-	-	546
-	-	-	-	-	-
-	-	-	-	-	-
3,151	3,078	890	780	-0-	24,433
-	4,107	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
113,724	40,483	6,873	83,897	7,276	18,792
113,724	44,590	6,873	83,897	7,276	18,792
<u>\$ 116,875</u>	<u>\$ 47,668</u>	<u>\$ 7,763</u>	<u>\$ 84,677</u>	<u>\$ 7,276</u>	<u>\$ 43,225</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special		
	Board of Public Works Administration	Animal Shelter Donation Fund	Cade Lake Park
ASSETS			
Cash and cash equivalents	\$ 10,777	\$ 38,006	\$ 4,551
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Due from other governmental units -			
Federal/State	-	-	-
Local	-	-	-
Prepayments	-	-	-
Inventory	-	-	-
TOTAL ASSETS	<u>\$ 10,777</u>	<u>\$ 38,006</u>	<u>\$ 4,551</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 191
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Advances from State	-	-	-
TOTAL LIABILITIES	-0-	-0-	191
FUND BALANCES (DEFICITS)			
Reserved for			
Prepayments	-	-	-
Inventory	-	-	-
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>10,777</u>	<u>38,006</u>	<u>4,360</u>
TOTAL FUND BALANCES (DEFICITS)	<u>10,777</u>	<u>38,006</u>	<u>4,360</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,777</u>	<u>\$ 38,006</u>	<u>\$ 4,551</u>

Revenue				Permanent	Total Nonmajor Governmental Funds
Register of Deeds Automation	Local Corrections Officer's Training	Homeland Security	Principal Residence Denial	Cemetery	
\$ 76,984	\$ 13,130	\$ 313,343	\$ 12,162	\$ 14,451	\$ 3,687,290
76	-	-	-	114	103,160
-	-	-	-	-	-
-	-	83,277	-	-	271,813
-	-	-	-	-	55,944
-	-	-	-	-	20,999
-	-	-	-	-	4,455
<u>\$ 77,060</u>	<u>\$ 13,130</u>	<u>\$ 396,620</u>	<u>\$ 12,162</u>	<u>\$ 14,565</u>	<u>\$ 4,143,661</u>
\$ -	\$ -	\$ 23,291	\$ 202	\$ -	\$ 155,874
423	-	-	-	-	42,042
200,000	-	373,178	-	-	573,178
-	-	-	-	-	108,000
200,423	-0-	396,469	202	-0-	879,094
-	-	-	-	-	20,999
-	-	-	-	-	4,455
-	-	-	-	14,565	14,565
(123,363)	13,130	151	11,960	-	3,224,548
(123,363)	13,130	151	11,960	14,565	3,264,567
<u>\$ 77,060</u>	<u>\$ 13,130</u>	<u>\$ 396,620</u>	<u>\$ 12,162</u>	<u>\$ 14,565</u>	<u>\$ 4,143,661</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Parks and Recreation	Central Dispatch Wireless	Meyer Broadway Park
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	-	-	-
Local	3,730	-	-
Charges for services	10,728	130,523	6,930
Fines and forfeits	-	-	-
Interest and rents	-	1,095	3,250
Other	2,158	-	3,617
TOTAL REVENUES	16,616	131,618	13,797
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	79,950	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	151,280	-	43,199
Capital outlay	2,346	3,458	6,760
TOTAL EXPENDITURES	153,626	83,408	49,959
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(137,010)	48,210	(36,162)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	106,912	-	58,160
Operating transfers out	-	-	(3,120)
TOTAL OTHER FINANCING SOURCES (USES)	106,912	-0-	55,040
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(30,098)	48,210	18,878
Fund balances, beginning of year	62,170	210,849	57,768
Fund balances (deficit), end of year	\$ 32,072	\$ 259,059	\$ 76,646

Revenue				
Facilities and Land Acquisition	Friend of the Court	Family Counseling	Court Caseflow Assistance	Waste Management
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	8,010	-	-
-	36,595	-	-	-
-	-	-	-	-
-	6,070	-	-	323,125
-	-	-	-	-
7	69	-	-	-
-	96	-	-	-
7	42,830	8,010	-0-	323,125
-	37,222	5,917	-	-
-	-	-	-	-
-	-	-	-	143,687
-	-	-	-	49,938
-	-	-	-	-
-	2,500	-	383	192
-0-	39,722	5,917	383	193,817
7	3,108	2,093	(383)	129,308
-	-	-	-	-
-	(3,000)	-	-	(58,160)
-0-	(3,000)	-0-	-	(58,160)
7	108	2,093	(383)	71,148
1,264	6,999	4,791	17,181	332,024
<u>\$ 1,271</u>	<u>\$ 7,107</u>	<u>\$ 6,884</u>	<u>\$ 16,798</u>	<u>\$ 403,172</u>

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Commission on Aging (9/30/2004)	FIA	FIA Child Care
REVENUES			
Taxes	\$ 495,058	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental			
Federal/State	421,735	526,396	81,484
Local	-	-	-
Charges for services	110,234	-	-
Fines and forfeits	187,485	-	-
Interest and rents	-	-	-
Other	6,428	-	-
TOTAL REVENUES	1,220,940	526,396	81,484
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	1,150,675	528,094	153,411
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	31,301	-	-
TOTAL EXPENDITURES	1,181,976	528,094	153,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,964	(1,698)	(71,927)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	16,406	14,200	110,000
Operating transfers out	(17,913)	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,507)	14,200	85,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	37,457	12,502	13,073
Fund balances, beginning of year	284,792	65,637	10,833
Fund balances (deficit), end of year	\$ 322,249	\$ 78,139	\$ 23,906

Revenue

Traffic Safety	Veterans' Trust	Drug Law Enforcement	Remonumentation	Veterans' Memorial	Budget Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	3,415	1,327	71,547	-	-
-	-	-	-	-	-
62,937	-	15,251	-	-	-
-	-	41,456	-	-	-
-	-	-	-	-	-
-	-	10,015	-	-	-
62,937	3,415	68,049	71,547	-0-	-0-
-	-	-	72,357	-	-
22,524	-	16,386	-	-	-
-	2,002	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,514	-	-	-
22,524	2,002	18,900	72,357	-0-	-0-
40,413	1,413	49,149	(810)	-0-	-0-
-	-	-	6,000	-	-
-	-	(40,000)	(1,450)	-	-
-0-	-0-	(40,000)	4,550	-0-	-0-
40,413	1,413	9,149	3,740	-0-	-0-
105,006	1,160	56,565	515	1,842	1,431,700
\$ 145,419	\$ 2,573	\$ 65,714	\$ 4,255	\$ 1,842	\$ 1,431,700

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

		Special	
	Victims' Rights	Community	Community
	Advocate	Corrections	Correction
	(9/30/2004)	Advisory Board	Program
	(9/30/2004)	(9/30/2004)	(9/30/2004)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	50,355	102,945	41,064
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	50,355	102,945	41,064
EXPENDITURES			
Current			
General government	49,394	-	-
Public safety	-	113,374	49,973
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	49,394	113,374	49,973
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	961	(10,429)	(8,909)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	10,000	11,230	-
Operating transfers out	-	-	(11,230)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	11,230	(11,230)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	10,961	801	(20,139)
Fund balances, beginning of year	20,902	25,898	102,600
Fund balances (deficit), end of year	\$ 31,863	\$ 26,699	\$ 82,461

Revenue

Law Enforcement	Secondary Road Patrol (9/30/2004)	Law Library	CDBG Housing	Sheriff's Justice Training	Child Care Probate
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
16,325	118,939	-	98,901	5,868	72,314
293,748	-	-	-	-	-
11,580	-	-	595	-	-
-	-	6,500	-	-	-
-	-	-	-	-	-
-	-	-	7,200	-	16,359
321,653	118,939	6,500	106,696	5,868	88,673
-	-	-	-	-	-
306,576	124,497	-	-	4,858	-
-	-	-	-	-	381,046
-	-	-	135,911	-	-
-	-	-	-	-	-
-	-	13,394	-	-	-
306,576	124,497	13,394	135,911	4,858	381,046
15,077	(5,558)	(6,894)	(29,215)	1,010	(292,373)
-	10,000	8,500	-	-	309,500
(14,078)	-	-	-	-	-
(14,078)	10,000	8,500	-0-	-0-	309,500
999	4,442	1,606	(29,215)	1,010	17,127
112,725	40,148	5,267	113,112	6,266	1,665
\$ 113,724	\$ 44,590	\$ 6,873	\$ 83,897	\$ 7,276	\$ 18,792

St. Joseph County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Board of Public Works Administration	Animal Shelter Donation Fund	Cade Lake Park
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	-	-	15,787
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	29,706	3,578
TOTAL REVENUES	-0-	29,706	19,365
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	30,120
Capital outlay	-	-	409,880
TOTAL EXPENDITURES	-0-	-0-	440,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	29,706	(420,635)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	423,182
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	423,182
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	29,706	2,547
Fund balances, beginning of year	10,777	8,300	1,813
Fund balances (deficit), end of year	\$ 10,777	\$ 38,006	\$ 4,360

Revenue				Permanent	Total Nonmajor Governmental Funds
Register of Deeds Automation	Local Corrections Officer's Training	Homeland Security	Principal Residence Denial	Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,058
-	-	-	-	-	8,010
-	-	153,642	-	-	1,802,852
-	-	-	-	-	297,478
85,232	17,270	-	-	-	796,262
-	-	-	26,006	-	261,447
541	-	-	-	213	5,175
-	-	205	-	-	79,362
85,773	17,270	153,847	26,006	213	3,745,644
64,726	-	-	12,546	-	242,162
-	-	48,047	-	-	766,185
-	-	-	-	-	2,358,915
-	-	-	-	-	185,849
-	-	-	-	-	224,599
169,970	-	105,649	1,500	-	749,847
234,696	-0-	153,696	14,046	-0-	4,527,557
(148,923)	17,270	151	11,960	213	(781,913)
-	-	-	10,850	-	1,094,940
-	(4,140)	-	(10,850)	-	(188,941)
-0-	(4,140)	-0-	-0-	-0-	905,999
(148,923)	13,130	151	11,960	213	124,086
25,560	-	-	-	14,352	3,140,481
\$ (123,363)	\$ 13,130	\$ 151	\$ 11,960	\$ 14,565	\$ 3,264,567

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Inmate Store	Three Rivers Community Center	COA Gadabouts (9/30/04)	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,228	\$ 23,132	\$ -	\$ 31,360
Accounts receivable	592	-	-	592
Total current assets	8,820	23,132	-0-	31,952
Noncurrent assets				
Capital assets				
Property, plant and equipment	-	16,739	-	16,739
Less: accumulated depreciation	-	(8,429)	-	(8,429)
Total noncurrent assets	-0-	8,310	-0-	8,310
TOTAL ASSETS	8,820	31,442	-0-	40,262
LIABILITIES				
Current liabilities				
Accounts payable	2,309	1,429	-	3,738
Accrued liabilities	-	1,362	-	1,362
TOTAL LIABILITIES	2,309	2,791	-0-	5,100
NET ASSETS				
Invested in capital assets, net of related debt	-	8,310	-	8,310
Unrestricted	6,511	20,341	-	26,852
TOTAL NET ASSETS	\$ 6,511	\$ 28,651	\$ -0-	\$ 35,162

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Inmate Store	Three Rivers Community Center	COA Gadabouts (9/30/04)	Total
OPERATING REVENUES				
Intergovernmental - local	\$ -	\$ 2,489	\$ -	\$ 2,489
Charges for services	13,748	-	-	13,748
Rent	-	12,439	-	12,439
Other	-	18	-	18
TOTAL OPERATING REVENUES	13,748	14,946	-0-	28,694
OPERATING EXPENSES				
Personal services	8,484	4,730	-	13,214
Operating supplies	12,820	19,895	-	32,715
Depreciation	-	1,559	-	1,559
TOTAL OPERATING EXPENSES	21,304	26,184	-0-	47,488
OPERATING INCOME (LOSS)	(7,556)	(11,238)	-0-	(18,794)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	17,913	-	17,913
Transfer out	-	-	(16,406)	(16,406)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	17,913	(16,406)	1,507
CHANGE IN NET ASSETS	(7,556)	6,675	(16,406)	(17,287)
Net assets, beginning of year	14,067	21,976	16,406	52,449
Net assets, end of year	\$ 6,511	\$ 28,651	\$ -0-	\$ 35,162

St. Joseph County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Inmate Store	Three Rivers Community Center	COA Gadabouts (9/30/04)	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 13,748	\$ 12,457	\$ -	\$ 26,205
Cash paid to suppliers	(20,384)	(20,046)	(1,537)	(41,967)
Cash receipts from local units	-	2,489	-	2,489
Cash paid to employees	-	(5,276)	(15)	(5,291)
NET CASH USED BY OPERATING ACTIVITIES	(6,636)	(10,376)	(1,552)	(18,564)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out)	-	17,913	(16,406)	1,507
Cash and cash equivalents, beginning of year	14,864	15,595	17,958	48,417
Cash and cash equivalents, end of year	<u>\$ 8,228</u>	<u>\$ 23,132</u>	<u>\$ -0-</u>	<u>\$ 31,360</u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating loss	\$ (7,556)	\$ (11,238)	\$ -	\$ (18,794)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation	-	1,559	-	1,559
Increase (decrease) in accounts payable	920	(151)	(1,537)	(768)
(Decrease) in accrued liabilities	-	(546)	(15)	(561)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (6,636)</u>	<u>\$ (10,376)</u>	<u>\$ (1,552)</u>	<u>\$ (18,564)</u>

St. Joseph County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2004

	Agency Funds			
	Trust and Agency	Library	Inmate	Total
ASSETS				
Cash and cash equivalents	\$ 2,197,661	\$ 113,326	\$ 467	\$ 2,311,454
LIABILITIES				
Undistributed tax collections	\$ 1,635,613	\$ -	\$ -	\$ 1,635,613
Due to other governmental units				
Federal/State	135,729	-	-	135,729
Local	39,019	-	-	39,019
Due to individuals and agencies	387,300	113,326	467	501,093
TOTAL LIABILITIES	\$ 2,197,661	\$ 113,326	\$ 467	\$ 2,311,454

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2004

	Debt Service			Capital
	Lamberson Dam	Fish Lake Drain	Portage Lake Drain	Long Lake Level-Fabius Revolving
ASSETS				
Cash and cash equivalents	\$ 64,746	\$ 87	\$ -	\$ 6,127
Cash - restricted	-	-	-	-
Accounts receivable	27	-	-	-
Special assessments receivable	314,532	18,848	206,746	-
Due from primary government	-	-	-	-
TOTAL ASSETS	<u>\$ 379,305</u>	<u>\$ 18,935</u>	<u>\$ 206,746</u>	<u>\$ 6,127</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	251,681	-	174,190	-
Due to primary government	-	-	-	-
Short-term notes payable	-	-	-	-
TOTAL LIABILITIES	251,681	-0-	174,190	-0-
FUND EQUITY				
Fund balances				
Reserved for debt service	127,624	18,935	32,556	-
Unreserved				
Designated for capital expenditures	-	-	-	6,127
TOTAL FUND EQUITY	<u>127,624</u>	<u>18,935</u>	<u>32,556</u>	<u>6,127</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 379,305</u>	<u>\$ 18,935</u>	<u>\$ 206,746</u>	<u>\$ 6,127</u>

Projects							Total
Regular Drain	Klinger Lake Level Special Assessment	Revolving Drain	Palmer/ Long Lake Revolving	Eberhard Lake Level Special Assessment	Revolving Drain Maintenance	Grey Lake Study	
\$ (3,617)	\$ 453	\$ 13,100	\$ 89,291	\$ 4,371	\$ 8,498	\$ 1,195	\$ 184,251
254,000	-	-	-	-	-	-	254,000
-	-	-	-	-	-	-	27
49,571	-	-	51,128	-	-	-	640,825
3,021	-	-	-	-	-	-	3,021
<u>\$ 302,975</u>	<u>\$ 453</u>	<u>\$ 13,100</u>	<u>\$ 140,419</u>	<u>\$ 4,371</u>	<u>\$ 8,498</u>	<u>\$ 1,195</u>	<u>\$ 1,082,124</u>
\$ 2,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,612
-	-	-	-	-	-	-	425,871
-	45	-	-	-	-	-	45
200,000	-	-	-	-	-	-	200,000
202,612	45	-0-	-0-	-0-	-0-	-0-	628,528
-	-	-	-	-	-	-	179,115
100,363	408	13,100	140,419	4,371	8,498	1,195	274,481
100,363	408	13,100	140,419	4,371	8,498	1,195	453,596
<u>\$ 302,975</u>	<u>\$ 453</u>	<u>\$ 13,100</u>	<u>\$ 140,419</u>	<u>\$ 4,371</u>	<u>\$ 8,498</u>	<u>\$ 1,195</u>	<u>\$ 1,082,124</u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2004

Total fund balance - governmental funds	\$ 453,596
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,411,056	
Accumulated depreciation is	<u>(318,015)</u>	
Capital assets, net		1,093,041

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Bonds and loans payable	624,993	
Accrued interest payable	<u>5,278</u>	
		<u>(630,271)</u>

Net assets of governmental activities	\$ <u>916,366</u>
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St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

	Debt Service			Capital
	Lamberson Dam	Fish Lake Drain	Portage Lake Drain	Long Lake Level-Fabius Revolving
REVENUES				
Interest	\$ 742	\$ 160	\$ -	\$ 84
Other				
Special assessments	69,177	18,848	32,556	-
Other	-	-	-	-
TOTAL REVENUES	69,919	19,008	32,556	84
EXPENDITURES				
Current				
Public works	-	-	-	135
Debt service				
Principal redemption	77,500	18,992	-	-
Interest and fees	16,028	2,365	-	-
TOTAL EXPENDITURES	93,528	21,357	-0-	135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,609)	(2,349)	32,556	(51)
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	2,422	-	-
Operating transfers out	-	-	-	-
Note proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	2,422	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(23,609)	73	32,556	(51)
Fund balances, beginning of year	151,233	18,862	-	6,178
Fund balances, end of year	<u>\$ 127,624</u>	<u>\$ 18,935</u>	<u>\$ 32,556</u>	<u>\$ 6,127</u>

Regular Drain	Projects						Total
	Klinger Lake Level Special Assessment	Revolving Drain	Palmer Long Lake Revolving	Eberhard Level Special Assessment	Revolving Drain Maintenance	Grey Lake Level Study	
\$ 1,684	\$ 14	\$ 194	\$ 1,295	\$ 59	\$ 116	\$ 16	\$ 4,364
54,738	-	-	51,128	-	-	-	226,447
9,882	-	-	-	-	-	-	9,882
66,304	14	194	52,423	59	116	16	240,693
162,560	2,349	18,559	34,369	-	-	-	217,972
113,000	-	-	-	-	-	-	209,492
7,815	-	-	-	-	-	-	26,208
283,375	2,349	18,559	34,369	-0-	-0-	-0-	453,672
(217,071)	(2,335)	(18,365)	18,054	59	116	16	(212,979)
9,281	2,000	26,460	-	-	-	-	40,163
(26,460)	-	(13,703)	-	-	-	-	(40,163)
200,000	-	-	-	-	-	-	200,000
182,821	2,000	12,757	-0-	-0-	-0-	-0-	200,000
(34,250)	(335)	(5,608)	18,054	59	116	16	(12,979)
134,613	743	18,708	122,365	4,312	8,382	1,179	466,575
\$ 100,363	\$ 408	\$ 13,100	\$ 140,419	\$ 4,371	\$ 8,498	\$ 1,195	\$ 453,596

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (12,979)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 108,168	
Depreciation expense	<u>(30,983)</u>	77,185

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (200,000)	
Debt principal retirements	<u>209,492</u>	9,492

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>2,979</u>
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Change in net assets of governmental activities \$ 76,677

St. Joseph County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2004

	Debt			
	Constantine Village Sewer	Lockport Water Supply System	White Pigeon Village Klinger Lake Sewer System	Fish Lake Sewer System
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 192
Accounts receivable	-	-	-	-
Due from other government units				
Local	-	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 192</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to primary government	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	-0-
FUND EQUITY				
Fund balances				
Reserved for debt service	-	-	-	192
Unreserved				
Designated for capital expenditures	-	-	-	-
TOTAL FUND EQUITY	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>192</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 192</u>

Service			Capital Projects		Total
White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	Lockport Township Water Supply System Construction	
\$ 108 -	\$ - -	\$ - -	\$ 34,558 17	\$ 136,219 99	\$ 171,077 116
-	-	-	-	181,785	181,785
<u>\$ 108</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34,575</u>	<u>\$ 318,103</u>	<u>\$ 352,978</u>
\$ - -	\$ - -	\$ - -	\$ - -	\$ 253,488 8,850	\$ 253,488 8,850
-0-	-0-	-0-	-0-	262,338	262,338
108	-	-	-	-	300
-	-	-	34,575	55,765	90,340
108	-0-	-0-	34,575	55,765	90,640
<u>\$ 108</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 34,575</u>	<u>\$ 318,103</u>	<u>352,978</u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2004

Total fund balance - governmental funds		\$	90,640
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Lease receivable			4,488,084
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Accrued interest payable	\$	48,084	
Direct county obligations		<u>4,440,000</u>	
			<u>(4,488,084)</u>

Net assets of governmental activities		\$	<u><u>90,640</u></u>
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St. Joseph County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

	Debt			
	Constantine Village	Lockport Water Supply System	White Pigeon Village Klinger Lake Sewer System	Fish Lake Sewer System
REVENUES				
Intergovernmental - local	\$ 75,969	\$ -	\$ 39,765	\$ 83,468
Interest	-	188	-	-
TOTAL REVENUES	75,969	188	39,765	83,468
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service				
Principal	5,000	-	30,000	47,970
Interest and fiscal charges	70,969	5,780	9,765	35,306
TOTAL EXPENDITURES	75,969	5,780	39,765	83,276
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(5,592)	-0-	192
OTHER FINANCING SOURCES				
Note proceeds	-	5,592	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	192
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ 192

Service			Capital Projects		Total
White Pigeon Village Klinger Lake Sewer Extension	Constantine Waste Water System	White Pigeon Extension Water System	Constantine Village Sewer System Construction	Lockport Township Water Supply System Construction	
\$ 47,032	\$ 127,276	\$ 19,975	\$ -	\$ 978,402	\$ 1,371,887
-	-	-	266	1,014	1,468
47,032	127,276	19,975	266	979,416	1,373,355
-	-	-	48,420	1,253,059	1,301,479
27,030	65,000	10,000	-	-	185,000
19,894	62,276	9,975	-	-	213,965
46,924	127,276	19,975	48,420	1,253,059	1,700,444
108	-0-	-0-	(48,154)	(273,643)	(327,089)
-	-	-	-	329,408	335,000
108	-0-	-0-	(48,154)	55,765	7,911
-	-	-	82,729	-	82,729
\$ 108	\$ -0-	\$ -0-	\$ 34,575	\$ 55,765	\$ 90,640

St. Joseph County, Michigan

Component Unit Funds

EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ 7,911

Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Note proceeds	(335,000)	
Principal retirements - notes	<u>185,000</u>	(150,000)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	65,512	
Increase in lease receivables	<u>84,488</u>	<u>150,000</u>

Change in net assets of governmental activities \$ 7,911

St. Joseph County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2004

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$ 94,237</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,199
Accrued liabilities	<u> 1,635</u>
TOTAL LIABILITIES	3,834
FUND BALANCE	
Fund balance	
Unreserved	
Undesignated	<u> 90,403</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 94,237</u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2004

Total fund balance - governmental fund \$ 90,403

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 8,254
Accumulated depreciation is	<u>(5,259)</u>

Capital assets, net	<u>2,995</u>
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Net assets of governmental activities	<u><u>\$ 93,398</u></u>
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St. Joseph County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

For the Year Ended December 31, 2004

	<u>Special Revenue</u>
REVENUES	
Intergovernmental - local	\$ 49,938
Interest	1,141
Other	
Contributions from local units	2,639
Miscellaneous	<u>45,105</u>
TOTAL REVENUES	98,823
EXPENDITURES	
Community and economic development	
Salaries and wages	84,355
Contracted services	11,997
Fringe benefits	22,337
Supplies	2,280
Utilities	1,309
Miscellaneous	15,042
Capital outlay	<u>2,184</u>
TOTAL EXPENDITURES	<u>139,504</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(40,681)
Fund balance, beginning of year	<u>131,084</u>
Fund balance, end of year	<u><u>\$ 90,403</u></u>

St. Joseph County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2004

Net change in fund balance - governmental fund **\$ (40,681)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year these amounts were

Capital outlay	1,289	
Depreciation expense	<u>(984)</u>	
Excess of capital outlay over depreciation expense		<u>305</u>
Change in net assets of governmental activities		<u><u>\$ (40,376)</u></u>

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
St. Joseph County
Centreville, Michigan

We have audited the basic financial statements of St. Joseph County as of and for the year ended December 31, 2004, and have issued our report thereon dated March 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

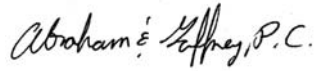
Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Joseph County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the administration and Board of Commissioners of St. Joseph County, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 22, 2005

St. Joseph County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2004

St. Joseph County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

Compliance

We have audited the compliance of St. Joseph County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to the major Federal program for the year ended December 31, 2004. St. Joseph County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of St. Joseph County's management. Our responsibility is to express an opinion on St. Joseph County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about St. Joseph County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Joseph County's compliance with those requirements.

In our opinion, St. Joseph County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2004.

Internal Control Over Compliance

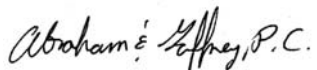
The management of St. Joseph County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered St. Joseph County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of St. Joseph County as of and for the year ended December 31, 2004, and have issued our report thereon dated March 22, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of St. Joseph County, the pass-through grantors, and the Federal awarding agencies and is not intended to be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 22, 2005

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program State's Program 03/05 (Housing)	14.228	MSC-2002-1067-HOA	\$ 275,000	\$ -	\$ 68,282
U.S. DEPARTMENT OF JUSTICE					
Office of Community Oriented Policing Services (COPS) (Direct Programs) COPS In-School (01-04)	16.710	2001-SHWX-0068	125,000	108,675	16,325
Office of Justice Programs (Direct Programs) 2004 SCAAP	16.606	2004-AP-BX-0443	10,742	-	10,742
Passed through Michigan Family Independence Agency Juvenile Accountability Incentive Block Grant 2003 JAIBG 2004 JAIBG	16.523	JAIBG-2003-533 JAIBG-04-734	7,995 <u>7,996</u>	5,633 <u>-</u>	2,362 <u>3,692</u>
			15,991	5,633	6,054
Juvenile Justice and Delinquency Prevention 2004 Basic Grant	16.540	N/A	15,000	-	14,644

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan					
Department of Transportation					
Formula Grants for Other Than					
Urbanized Areas					
03/04 RTAP Training	20.509	N/A	\$ 1,017	\$ -	\$ 1,017
Capital Assistance Programs for					
Elderly Persons with Disabilities					
03/04 Equipment Grant ^(a)	20.513	N/A	4,691	-	4,691
Passed through Michigan					
Department of State Police					
Hazardous Materials					
Emergency Planning	20.703				
2003/04 HMEP		N/A	1,280	198	127
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Michigan State Police					
State Homeland Security	97.004				
2003-SHSGP-CBRNE-Equipment		N/A	61,765	-	61,765
2003-SHSGP-SAP Part II			34,000	-	20,296
2004-SHSGP-CBRNE			374,673	-	43,830
2004-Training Part II			<u>60,200</u>	<u>-</u>	<u>27,751</u>
			530,638	-0-	153,642
Emergency Management Performance Grants	97.042				
FY04 Regular		N/A	30,480	-	29,132
Hazardous Emergency Operations Planning	97.051				
2002 Supplemental		N/A	600	-	600

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging					
Title IIID Special Programs for the Aging FY03/04 Disease Prevention	93.043	N/A	\$ 8,497	\$ -	\$ 8,497
Title IIIB Special Programs for the Aging ^(e) FY03/04	93.044	N/A	53,645	-	53,631
Title IIIC Special Programs for the Aging ^(e) FY03/04 Nutrition Congregate	93.045	N/A	82,964	-	82,964
FY03/04 Nutrition Home Delivered Meals		N/A	<u>38,554</u>	<u>-</u>	<u>38,554</u>
			121,518	-0-	121,518
National Family Caregiver Support FY03/04	93.052	N/A	15,637	-	9,524
Passed through Michigan Family Independence Agency					
Child Support Enforcement ^(d) (Title IV-D)	93.563				
Cooperative Reimbursement - Friend of the Court ^(b)					
03/04		CS/FOC-04-75001	463,289	67,487	330,494
04/05		CS/FOC-05-75001	531,928	-	107,828
Cooperative Reimbursement - Prosecuting Attorney ^(b)					
03/04		CS/PA-04-75002	98,116	9,971	61,393
04/05		CS/PA-05-75002	78,674	-	19,114

St. Joseph County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Restated (Memo Only) Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Michigan Family Independence Agency - continued Child Support Enforcement ^(d) (Title IV-D) - continued	93.563				
Medical Support Collection - ^(b)					
Friend of the Court FY03/04		CS/MED-04-75001	\$ 17,046	\$ 3,206	\$ 8,161
Friend of the Court FY04/05		CS/MED-05-75001	17,046	-	2,924
Incentive Payments ^(c)					
2004 Regular		N/A	<u>257,950</u>	<u>-</u>	<u>257,950</u>
			1,464,049	120,566	787,864
U.S. DEPARTMENT OF AGRICULTURE					
Passed through State Department of Office on Services to the Aging and Region IIIC Area Agency on Aging					
Nutrition Services Incentive	10.570				
03/04 Elderly Feeding (Congregate)		N/A	27,276	-	27,276
03/04 Elderly Feeding (Home Delivered Meals)		N/A	<u>30,170</u>	<u>-</u>	<u>30,170</u>
			<u>57,446</u>	<u>-0-</u>	<u>57,446</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,731,231</u>	<u>\$ 235,072</u>	<u>\$ 1,343,736</u>

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of St. Joseph County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements that are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of this contract is passed through the State Department of Transportation. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the 80% of total contract expenditures:
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) Programs considered a cluster by the U.S. Department of Health and Human Services.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2004, Basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 83,844	\$ 3,337	\$ -	\$ 80,507
FOC-CRP & Incentive	696,272	-	-	696,272
SCAAP Grant	10,742	-	-	10,742
Juvenile Accountability	6,054	-	-	6,054
Hazardous Emergency Planning	600	-	-	600
Emergency Planning - Site Plans	127	-	-	127
Emergency Management Performance Grant	29,132	-	-	29,132
Other Programs	<u>1,663,739</u>	<u>1,663,739</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	2,490,510	1,667,076	-0-	823,434

St. Joseph County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2004

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
SPECIAL REVENUE FUNDS				
Friend of the Court	\$ 36,595	\$ 25,510	\$ -	\$ 11,085
Commission on Aging	421,735	165,411	-	256,324
CDBG - Housing	98,901	30,619	-	68,282
Child Care Probate	72,314	57,670	-	14,644
Law Enforcement Fund	16,325	-	-	16,325
Homeland Security Fund	153,642	-	-	153,642
Other Programs	<u>1,027,178</u>	<u>1,027,178</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	1,826,690	1,306,388	-0-	520,302
COMPONENT UNIT FUNDS				
Mental Health Services	71,740	-	(71,740) ⁽²⁾	-0-
Road Commission	<u>5,991,513</u>	<u>5,420,558</u>	<u>(570,955)⁽¹⁾</u>	<u>-0-</u>
TOTAL COMPONENT UNIT FUNDS	<u>6,063,253</u>	<u>5,420,558</u>	<u>(642,695)</u>	<u>-0-</u>
	<u>\$10,380,453</u>	<u>\$ 8,394,022</u>	<u>\$ (642,695)</u>	<u>\$ 1,343,736</u>

Following is a summary of the adjustment in the above schedule:

- (1) The Road Commission is audited by other auditors. The total adjustment of \$570,955 in Federal funds represents the Department of Transportation Federal Highway grant money expended on public road improvement projects under Federal Urban and Rural Programs. All of these federal awards were expended on projects where work was administered by the Michigan Department of Transportation; therefore, the single audit on these funds is covered with the State single audit. All of these funds have been excluded from the County's Single Audit.
- (2) The Community Mental Health, which is audited by other auditors, has a total adjustment of \$71,740 in Federal funds. Due to no specific details related to this amount being presented in the audit of the Community Mental Health we were unable to determine how much of these funds were subject to the Single Audit Act. Due to the amount subject to the Single Audit Act at the Community Mental Health being under the threshold to require a Single Audit, it was not performed by the component unit auditors for the year ended September 30, 2004. All of these funds have been excluded for the County's Single Audit.

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

We have audited the financial statements of St. Joseph County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated March 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

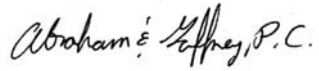
Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Joseph County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management, the Board of Commissioners and management of St. Joseph County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 22, 2005

St. Joseph County, Michigan

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no reportable conditions related to internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D)(CFDA 93.563). Total Federal expenditures for the year ended December 31, 2004 for the major program was \$611,462, which is approximately 52 percent of total Federal expenditures. The County was determined to qualify as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IVD) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the basic financial statements.

None

Findings Related to Compliance with Requirements Related to the basic financial statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

St. Joseph County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Basic financial statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to the Basic financial statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

Child Support Enforcement (Title IV-D) - CFDA 93.563; Grant No. CS/PA-00-75002, CS/PA-01-75002-1; CS/FOC-00-75001; CS/FOC-01-75001-1 covering January 1, 2000 through December 31, 2000. Child Support Enforcement (Title IV-D) - CFDA 93.563; Grant No. CS/PA-01-75002-1 and CS/PA-02-75002-1; Grant period - CS/PA-01-75002-1 covered January 1, 2001 - September 30, 2001; CS/PA-02-75002-1 covered October 1, 2001 - December 31, 2004.

As noted in the 2000 and 2001 Single Audits, the County had questioned costs related to the above noted grants as it relates to the charging of retirement costs in 2000 and 2001 as detailed in the Noncompliance with Federal Regulations Finding 00-01 and 01-1.

These prior year findings have been resolved.

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MANAGEMENT LETTER

To the Board of Commissioners
of St. Joseph County
Centreville, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of St. Joseph County, Michigan, for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. A reconciliation of the Family Independence Agency bank account to supporting documentation should be performed.

As we were analyzing the cash accounts for the County, we noted the imprest bank account for the Family Independence Agency fund had not been reconciled for several months by the Family Independence Agency.

We suggest the County receive and review the FIA bank reconciliations on a monthly basis.

2. All departmental cash accounts should be recorded in the County's general ledger.

During our analysis of the County cash accounts, we noted that there were three (3) trust and agency accounts that had not been recorded in the County general ledger. These accounts are held separately by the District Court and Friend of the Court departments. All cash related to these accounts has been reported as audit adjustments as of December 31, 2004.

We suggest the County, at a minimum, record the activity and cash balances in the County general ledger periodically and at year-end to assure all assets are properly recorded and accounted for.

3. The County should review the status of individual fund balances (deficits) near year-end.

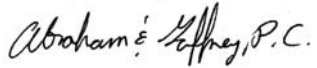
As noted in the financial statements, the County had one (1) fund (Register of Deeds Automation) that ended the year in a deficit financial position. As a result, the County will be required to submit a deficit reduction plan to the State of Michigan. The fund was in a deficit due to the borrowing of \$200,000 from the General Fund to fund planned capital outlay purchases.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements, dated March 22, 2005.

This report is intended solely for the use of management and the Board of Commissioners of St. Joseph County, and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 22, 2005